

ORDINANCE NO. 378

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS TO PROVIDE FINANCING FOR THE ACQUISITION OF PROPERTY AND, PENDING THE ISSUANCE OF THOSE BONDS, AUTHORIZING THE ISSUANCE OF A LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$11,500,000; AND FIXING THE FORM AND TERMS OF THE NOTE.

WHEREAS, it is in the best interest of the City of University Place, Washington (the "City") to acquire property within the Town Center in the City; and

WHEREAS, Bank of America, N.A. has offered to extend the City a non-revolving line of credit to finance such property acquisition pending the issuance of bonds; and

WHEREAS, RCW 39.46.050 authorizes local governments to establish lines of credit with any qualified public depository to be drawn upon in exchange for its obligations; and

WHEREAS, RCW 39.50.020 authorizes local governments to issue notes in anticipation of the issuance of bonds; and

WHEREAS, the Council deems it to be in the best interest of the City that it sell a note to Bank of America, N.A. to evidence the line of credit;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, DO ORDAIN as follows:

Section 1. Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

"Authorized Officer" means the Finance Director of the City, or her designee.

"Bank" means Bank of America, N.A., Seattle, Washington.

"Bonds" means the Limited Tax General Obligation Bonds to be issued to pay and redeem the Note or any refunding note or notes.

"City" means the City of University Place, Washington.

"Council" means the general legislative authority of the City as the same shall be duly and regularly constituted from time to time.

"LIBOR Interest Rate Period" means a period between one month and twelve months in length, consisting of one-month increments, specified in a notice of change to the LIBOR Rate Mode. The first day of the LIBOR Interest Rate Period must be a London Banking Day. The date of the last day of the LIBOR Interest Rate Period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.

"LIBOR Rate" means a variable rate equal to the sum of (a) London Inter-Bank Offered Rate plus (b) 102 basis points.

"LIBOR Rate Mode" means the mode during which the LIBOR Rate Principal of the Note bears interest at a variable rate equal to the LIBOR Rate for the duration of the LIBOR Interest Rate Period selected.

"LIBOR Rate Principal" means that portion of principal of the Note that is bearing interest at the LIBOR Rate.

"London Banking Day" means a day on which Bank's London Banking Center is open for business and dealing in offshore dollars.

"London Inter-Bank Offered Rate" means, the average per annum interest rate at which U.S. dollar deposits would be offered for a period equal to the LIBOR Interest Rate Period starting on that day by major banks in the London inter-bank market, as shown on the Telerate Page 3750 (or any successor page) at approximately 11:00 a.m. London time, two London Banking Days before the commencement of the interest period. If such rate does not appear on the Telerate Page 3750 (or any successor page), the rate for that LIBOR Interest Rate Period will be determined by such alternate method as reasonably selected by the Bank. The actual first and last days of the LIBOR Interest Rate Period will be determined by the Bank using the practices of the London inter-bank market.

"Note" means the not to exceed \$11,500,000 Limited Tax General Obligation Bond Anticipation Note, 2003 (Taxable), of the City issued pursuant to this ordinance.

"Note Account" means the Limited Tax General Obligation Bond Anticipation Note Account, 2003, established pursuant to Section 5.

"Note Registrar" means the Finance Director.

"Outstanding Principal Balance" of the Note means on any particular day the aggregate of all funds that the City has drawn from the Bank under the Note to that day, less the aggregate of all principal payments on the Note made by the City on or before that day.

"Prime Rate" means the interest rate designated and published by the Bank as its prime rate, as such prime rate may change. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Prime Rate.

"Prime Rate Mode" means the mode during which the Prime Rate Principal of the Note bears interest at a variable rate equal to the Prime Rate.

"Prime Rate Principal" means that portion of principal of the Note that is bearing interest at a variable rate equal to the sum of (a) the Prime Rate, less (b) 170 basis points.

"Proposal" means the commitment letter dated April 28, 2003, submitted by the Bank to purchase the Note and attached as Exhibit A.

"Request for Draw" means an oral or written request by an Authorized Officer for a draw from the non-revolving line of credit authorized to be established by this ordinance, all as more fully described in Section 3.

Section 2. Authorization of the Bonds. For the purpose of providing funds necessary to repay the Note, the Council shall issue Bonds in such amount and form and with such terms, as shall be determined by ordinance of the Council. The proceeds of the Bonds shall be paid into the Note Account and applied, together with other available funds, in amounts sufficient to repay the Note.

Section 3. Authorization and Description of Note. For the purpose of providing all or part of the money required to finance the acquisition of property within the Town Center in the City, and pay interest on and costs of issuing the Note pending the issuance of the Bonds, the City shall issue its Limited Tax General Obligation Bond Anticipation Note, 2003 (Taxable), in the maximum principal amount of not to exceed \$11,500,000. The Note shall be designated the "Limited Tax General Obligation Bond Anticipation Note, 2003 (Taxable); shall be issued in fully registered form; and shall be numbered R-1, shall be dated as of its date of delivery to the Bank, and shall mature on June 1, 2006.

The City may make incremental draws upon the Note in any amount, pursuant to a Request for Draw, on any business day during the term of the Note to carry out the purposes of the Note, subject to the limitations that the Outstanding Principal Balance of the Note may not exceed \$11,500,000 and amounts drawn on the Note bearing interest at the LIBOR Rate shall be in increments of not less than \$100,000.

Amounts drawn on the Note shall bear interest as set forth in the Bank's Proposal attached as Exhibit A, which is hereby incorporated by this reference. Pursuant to the Bank's Proposal, amounts drawn on the Note shall bear interest in one of two variable rate modes: the LIBOR Rate Mode or the Prime Rate Mode.

Amounts drawn on the Note pursuant to a Request for Draw shall be in the Prime Rate Mode unless the LIBOR Rate Mode is elected for all or a portion of the such draw. The City may convert LIBOR Rate Principal to Prime Rate Principal, or Prime Rate Principal to LIBOR Rate Principal in accordance with this paragraph. The City hereby delegates to the Finance Director, or her designee, authority to convert all or a portion of the principal of the Note from one mode to the other as follows. In order to request a Loan Draw in or a conversion to the LIBOR Rate Mode (or to specify a new LIBOR Interest Rate Period for LIBOR Rate Principal), the Finance Director, or her designee, shall give notice (by telephone or facsimile) of a Request for Draw, mode change or extension to the Bank no later than 12:00 noon, Pacific time, on a London Banking Day that is at least three London Banking Days before the new LIBOR Interest Rate Period is to begin. A LIBOR Rate Mode may only be elected if all LIBOR Rate Principal equals \$100,000 or more. In the event of a Request for Draw in the Prime Rate Mode, the Finance Director shall give notice (by telephone or facsimile) of the draw to the Bank by 1:00 p.m., Pacific time, on the day on which the draw is to be made. The notice of a draw in, or a conversion to, or extension of a LIBOR Rate Mode shall specify the selected LIBOR Interest Rate Period. LIBOR Rate Principal shall automatically be converted to the Prime Rate Mode after the expiration of the LIBOR Rate Period if no new LIBOR Rate Mode is specified in accordance with this paragraph. LIBOR Rate Principal may only be converted to the

Prime Rate Mode, or repaid, on a day other than the last day of its LIBOR Interest Rate Period upon payment of a prepayment fee calculated as set forth in the Bank's Proposal.

Interest on outstanding principal of the Note shall accrue from the date such principal is drawn under the Note until paid. Interest on LIBOR Rate Principal shall be calculated on the basis of a 360-day year and the actual number of days elapsed. Interest on Prime Rate Principal shall be calculated on the basis of a 365-day year and the actual number of days elapsed. Interest shall be payable quarterly, on each March 1, June 1, September 1 and December 1, beginning June 1, 2003, and at maturity or upon prepayment. All principal on the Note shall be paid at maturity or upon prepayment. If the average unused balance of the Note that is available to be drawn by the City is more than \$5,750,000, the Note shall be subject to a fee of five basis points, payable quarterly in arrears on each March 1, June 1, September 1 and December 1, beginning June 1, 2003.

Principal of and interest on the Note shall be payable as described in Section 5 below. If the Note is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on the Note at the rate specified above from and after the maturity or call date until the Note, both principal and interest, is paid in full or until sufficient money for that payment in full is on deposit in the Note Fund.

Section 4. Designation of Officers to Make Request for Draws. The City Council has determined it to be in the best interest of the City that the Finance Director, or her designee, is authorized to make Request for Draws against the Note in the amounts, in the modes and at the times as she or he may determine, those draws to be made in accordance with the terms and provisions set forth herein. Request for Draws may be made by telephone or facsimile of the City to the Bank and a transfer of funds shall be made immediately by the Bank to the City's account as determined by the Finance Director or her designee.

Section 5. Note Redemption Account and Security for the Note. A special account of the City to be known as the "City of University Place Limited Tax General Obligation Bond Anticipation Note Account, 2003" (the "Note Account") in the Debt Service Fund is hereby authorized to be created by the Finance Director. The Note Account shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. Money on deposit in the Note Account not immediately needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations that are legal investments for City funds. Any interest or profit from the investment of such money shall be deposited in the Note Account. Any money remaining in the Note Account after payment in full of the principal of and interest on the Note may be transferred to the general fund of the City, and the Note Account shall be closed.

The City covenants that on or before the maturity date of the Note it will issue the Bonds, refunding bond anticipation notes, or a combination of the foregoing in an amount sufficient to pay the Note when due.

The Note is a general obligation of the City. The City hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, with other money legally available therefor, to pay the principal of and interest on the Note as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the Note by making full provision for the payment thereof.

Section 6. Application of Note Proceeds. Proceeds received from Loan Draws on the Note shall be deposited in the Note Proceeds Account in the Debt Service Fund and be used to acquire the property pursuant to Section 3 and pay costs of issuing the Note. Money in such account shall be invested in legal investments for City funds. Upon completion of such acquisition or a decision not to complete any portion of the property acquisition, any remaining money in the fund shall be transferred to the Note Account or used for other capital purposes.

Section 7. Lost, Stolen or Destroyed Note. In case the Note shall be lost, stolen or destroyed, the Note Registrar may execute and deliver a new Note of like date and tenor to the owner upon the owner paying the expenses and charges of the City and upon filing with the Note Registrar evidence satisfactory to the Note Registrar that such Note was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the City with indemnity satisfactory to the City.

Section 8. Prepayment. The City may prepay the Note in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment.

No prepayment penalty shall apply to Prime Rate Principal. Any LIBOR Rate Principal that is prepaid prior to the last day of its LIBOR Rate Interest Period shall be subject to a prepayment fee calculated as set forth in Exhibit D of the Bank's Proposal. If the Note is prepaid in full, interest shall cease to accrue on the date such prepayment occurs.

Section 9. Note Registrar. The Note Registrar shall keep, or cause to be kept, at the office of the Finance Director, sufficient records for the registration and transfer of the Note. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Note in accordance with the provisions of the Note and this ordinance, to serve as the City's paying agent for the Note and to carry out all of the Note Registrar's powers and duties under this ordinance.

Section 10. Form and Execution of Note. The Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON

CITY OF UNIVERSITY PLACE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2003(TAXABLE)

REGISTERED OWNER: Bank of America, N.A.

MATURITY DATE: June 1, 2006

The City of University Place, Washington (the "City"), a municipal corporation organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay, but solely from the Note Fund hereinafter identified, to the Registered Owner identified above on June 1, 2006, the principal sum of amounts drawn on the Note pursuant to a Request for Draw (not to exceed \$11,500,000 outstanding at any one time), from the date hereof. Each amount drawn pursuant to a Request for Draw under this Note shall bear interest either in the LIBOR Rate Mode or in the Prime Rate Mode, as set forth in Ordinance No. 378 of the City, passed on May 5, 2003 (the "Note Ordinance"). Interest on this Note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the Outstanding Principal Balance on the basis of a 360-day year and the actual days elapsed, in the case of the LIBOR Rate Mode, and a 365-day year and the actual days elapsed, in the case of the Prime Rate Mode. Interest shall be payable quarterly, beginning June 1, 2003 and at maturity or upon early prepayment. Principal on this Note shall be paid on the Maturity Date identified above. Upon payment of this Note in full, the Registered Owner shall surrender this Note at the office of the City Finance Director for cancellation. Both principal of and interest on this Note are payable in lawful money of the United States of America.

The City may prepay this Note in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment. A prepayment fee may apply, as set forth in the Note Ordinance. Interest shall cease to accrue on the date this Note is prepaid in full. If the average unused balance of this Note that is available to be drawn by the City is more than \$5,750,000, the Note shall be subject to a fee of five basis points, payable quarterly in arrears on each March 1, June 1, September 1 and December 1, beginning June 1, 2003.

This Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Registration Certificate hereon shall have been manually signed by the Note Registrar. Reference is made to the Note Ordinance for definitions of capitalized terms.

This Note is issued pursuant to the Note Ordinance for the purpose of financing the acquisition of property in anticipation of the issuance of bonds, all in conformity with the Constitution and laws of the State of Washington.

The City has irrevocably covenanted that it will deposit in the Limited Tax General Obligation Bond Anticipation Note Account, 2003 of the City authorized to be maintained by the Note Ordinance, taxes levied, bond proceeds or refunding note proceeds, in amounts which, together with other moneys of the City legally available therefor, will be sufficient to pay the principal of and interest on this Note as the same shall become due.

It is hereby certified and declared that this Note is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City and that all acts, conditions and things required to be done precedent to and in the issuance of this Note have happened, been done and performed.

IN WITNESS WHEREOF, the City of University Place, Washington, has caused this Note to be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon as of the 5th day of May, 2003.

[SEAL]

CITY OF UNIVERSITY PLACE, WASHINGTON

By 
Jean Brooks, Mayor

ATTEST:


Catrina Craig, City Clerk

REGISTRATION CERTIFICATE

This Note is registered in the name of the Registered Owner on the books of the City, in the office of the City Finance Director (the "Note Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this Note shall be made by the City with full acquittance by the Note Registrar's wire transfer, made payable to the last Registered Owner as shown hereon and on the registration books of the Note Registrar at his/her address noted hereon and on the registration books of the Note Registrar.

Date of Registration	Name and Address of Registered Owner	Signature of Registrar
_____, 2003	Bank of America, N.A. 800 Fifth Avenue, Floor 34 Seattle, WA 98104	<u>Dawn Schauer, Finance Director</u>

Section 11. Execution. The Note shall be executed on behalf of the City with the manual or facsimile signature of its Mayor, shall be attested by the facsimile or manual signature of the City Clerk and shall have the seal of the City impressed or imprinted thereon.

If any officer whose signature appears on the Note ceases to be an officer of the City authorized to sign bonds before the Note bearing his or her signature is authenticated or delivered by the Note Registrar or issued by the City, the Note nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Note also may be signed on behalf of the City by any person who, on the actual date of signing of the Note, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Note.

Section 12. Sale of Note. The Council hereby authorizes the sale of the Note to the Bank pursuant to the terms of the Bank's Proposal attached hereto and authorizes the Finance Director to accept a binding offer from the Bank consistent with the Terms of the Proposal. Upon delivery of the

Note, the City shall pay to the Bank a fee of \$2,500, and reimburse the Bank for its legal fees, which payments shall be made by check, wire transfer or other mutually acceptable means.

Section 13. Reporting Requirements. The City hereby covenants and agrees for as the Note remains outstanding, that it will provide annually to the Bank, when prepared and available to the City, copies of the City's budget and audited financial statements for each fiscal year.

Section 14. Ratification; General Authorization. The Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 15. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

Section 16. Effective Date. This ordinance shall become effective five days after its passage and publication.

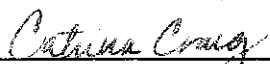
PASSED by the Council of the City of University Place, Washington, at a regular meeting thereof, held this 5th day of May, 2003.

CITY OF UNIVERSITY PLACE, WASHINGTON



Jean Brooks, Mayor

ATTEST:



Catrina Craig, City Clerk

APPROVED AS TO FORM:



Preston Gates & Ellis LLP

FILED WITH THE CITY CLERK: May 5, 2003

PASSED BY THE CITY COUNCIL: May 5, 2003

PUBLISHED: May 7, 2003

EFFECTIVE DATE: May 12, 2003

ORDINANCE NO.: 378

CERTIFICATE

I, the undersigned, Clerk of the City of University Place, Washington (the "City"), and keeper of the records of the City Council (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 378 of the Council (herein called the "Ordinance"), duly passed at a regular meeting thereof held on the 5th day of May, 2003.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City this 5th day of May, 2003.



Catrina Craig, City Clerk

[SEAL]

OFFICIAL DOCUMENT



Bank of America
Public Sector Banking
WA1-501-34-03
800 5th Avenue, 34th Floor
Seattle, WA 98104

Kerrin M. Gibbons
Senior Vice President
Public Sector Banking
Seattle, WA 98104

April 28, 2003

Mr. John Caulfield
Deputy City Manager
City of University Place
City Hall
3715 Bridgeport Way West
University Place, WA 98466

Dear John:

Bank of America N. A. (the "Bank") is pleased to provide the following commitment, which has received final credit approval, for a new non-revolving line of credit (the "Line") to the City of University Place, Washington (the "City"). The Line is to be used to finance the acquisition of real property for future development of a Town Center.

The rates and terms for the Line are attached to this letter, as Exhibit A, a Summary of Terms and Conditions. The terms and conditions are not all-inclusive, but generally describe the commitment offered to you. Please keep the contents of this letter confidential.

Thank you for the opportunity to work with the City on this exciting new development plan. Please give either Nancy or myself a call if you have any questions regarding this commitment.

Sincerely,
Bank of America, N.A.
By:

Kerrin M. Gibbons
Senior Client Manager

Nancy D. Nuerenberg
Senior Credit Products Officer

cc: Dawn Schauer, City of University Place
Jane Towery, Banc of America Securities

Exhibit A
Summary of Terms and Conditions
\$11,500,000 Non-Revolving Line of Credit

Borrower: City of University Place, Washington

Proposed Form of Credit: Limited Tax General Obligation
Bond Anticipation Note
Taxable Non-Revolving Line of Credit

Amount of Credit: \$11,500,000

Proposed Term: Three years

Closing Date: Estimated by June 1, 2003

Purpose: Purchase real estate for future development of a Town Center.

Security: Limited tax general obligation of the City.

Interest Rate: City may elect at any time, subject to the terms below and in Exhibits B and C, either a Prime Rate index or a LIBOR Rate index.

Interest rate spread varies depending on the index selected and whether the Line is determined to be taxable or tax-exempt. See attached Exhibit B, Pricing Grid, for details.

Prime Rate Index:

- Interest is calculated on an Actual/365 day basis.
- No minimum advance requirement.
- Prime rate changes on date of any Prime rate change.
- Advances may be repaid at anytime prior to maturity without prepayment fee.

LIBOR Rate Index:

- Interest is calculated on an Actual/360 day basis.
- Minimum advance for LIBOR borrowings: \$100,000.
- LIBOR advances fixed for the LIBOR interest period selected. Interest periods available in one-month increments ranging from one month to 12 months (see Exhibit C).
- If LIBOR option is selected, prepayment fee may apply if the outstanding principal amounts are prepaid prior to the last day of the applicable interest period. See Exhibit D.

- Fees:**
- Upfront fee: \$2,500 due at closing.
 - Unused fee: 5 bp per annum, payable quarterly in arrears, calculated on an Actual/365 day basis on the average unused Amount of the Line. Unused fee is applicable only if the average unused Amount of the Line for the quarterly period is greater than 50% of the Line Amount.
 - City is responsible for bond counsel fees and Bank attorney fees.

Repayment: Interest is due quarterly, beginning September 1, 2003. Principal due at maturity.

This is a non-revolving Line and advances may not be re-borrowed if repaid.

Financial Reporting Requirements: Audited financial statement and budget due annually, as soon as available.

This financing has received credit approval, but is subject to receipt and satisfactory review of the following:

1. A legal opinion from City's bond counsel stating that the indebtedness is legal and valid;
2. A copy of the Ordinance passed by the City Council authorizing the issuance of the Bond;
3. Receipt of the registered Note at closing;
4. Updated financial information as may be requested by Bank;
5. Documentation subject to review by Bank counsel.

The terms and conditions contained herein are confidential. If this facility does not close by July 1, 2003 for any reason, this commitment will expire. Further, if between the time you accept this commitment and the date of closing there is a material adverse change in your financial condition, then we have the right to rescind this commitment.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.



**Exhibit B
 Pricing Grid
 Taxable Non-Revolving Line of Credit**

Term	Upfront Fee	Unused Fee *	Rate and Spread	Indicative rate as of 4-21-03
3 years	\$2,500	5 bp	Prime - 170 bp	2.55%
3 years	\$2,500	5 bp	1 month LIBOR + 102 bp	2.33%

* Unused fee is applicable only if the average unused Amount of the Line for the quarterly period is greater than 50% of the Line Amount.

For example, if City has an average balance outstanding of \$3 million for the quarter, the unused Amount of Line of \$8.5 million is greater than 50% of Line of \$5.75 million; therefore the unused fee will apply and will be \$1,071.23 for that period (assuming 92 days in the quarter).

As an indication only, the Prime Rate and selected LIBOR rates as of 4-21-03 are:

Prime Rate: 4.25%

LIBOR:

1 month LIBOR: 1.31%

6 month LIBOR: 1.31%

12 month LIBOR: 1.39%

The Prime Rate index changes on the date of any Prime rate change. The LIBOR Rate can change daily and the LIBOR Rate index is set 3 days prior to the LIBOR advance as outlined in Exhibit C. For informational purposes, a history of changes in the Prime rate since 1999 is recapped below:

2002	Nov. 7	4.25%
2001	Dec. 12	4.75%
	Nov. 7	5.00%
	Oct. 3	5.50%
	Sep. 18	6.00%
	Aug. 22	6.50%
	Jun. 28	7.00%
	May 16	7.50%
	Apr. 19	7.50%
	Mar. 21	8.00%
	Feb. 1	8.50%
Jan. 4	9.00%	
2000	May 17	9.50%
	Mar. 22	9.00%
	Feb. 3	8.75%
1999	Nov. 17	8.50%
	Aug. 25	8.25%

Exhibit C LIBOR RATE DEFINITIONS

LIBOR Rate. The election of LIBOR Rates is subject to the following terms:

- (a) At the option of the City, the interest period during which the LIBOR Rate will be in effect will be one, two, three, four, five, six, seven, eight, nine, ten, eleven, or twelve months. The first day of the interest period must be a day other than a Saturday, or a Sunday on which Lender is open for business in New York and London and dealing in offshore dollars (a "LIBOR Banking Day"). The last day of the interest period and the actual number of days during the interest period will be determined by Lender using the practices of the London inter-bank market.
- (b) Each LIBOR Rate Portion will be for an amount not less than One Hundred Thousand Dollars (\$100,000).
- (c) "London Inter-Bank Offered Rate" means the average per annum interest rate at which U.S. dollar deposits would be offered for the applicable interest period by major banks in the London inter-bank market, as shown on the Telerate Page 3750 (or any successor page) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period. If such rate does not appear on the Telerate Page 3750 (or any successor page), the rate for that interest period will be determined by such alternate method as reasonably selected by Lender. A "London Banking Day" is a day on which Lender's London Banking Center is open for business and dealing in offshore dollars.
- (d) Borrower shall irrevocably request a LIBOR Rate Portion no later than 12:00 noon Pacific Standard time on the LIBOR Banking Day preceding the day on which the London Inter-Bank Offered Rate will be set, as specified above. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least three days before the LIBOR Rate takes effect.

Exhibit D
LIBOR Rate Prepayment Fee

Under the LIBOR Rate Option, if principal amounts are prepaid, whether by voluntary prepayment or otherwise, the prepayment shall be accompanied by a prepayment fee. The prepayment fee shall be in an amount sufficient to compensate Bank for any loss, cost or expense incurred by it as a result of the prepayment, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain the credit facility or from fees payable to terminate the deposits from which such funds were obtained. The City shall also pay any customary administrative fees charged by Bank in connection with the foregoing. For purposes of calculating the prepayment fee, Bank shall be deemed to have funded the advance by a matching deposit or other borrowing in the applicable interbank market, whether or not the advance was in fact so funded.

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