

Merrill Lynch Capital Markets

Municipal Securities Division

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Telephone
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May 2, 1985

Mr. John Holmes
City Manager
City of Redlands
30 Cajon Street
Redlands, California 92373

Dear John:

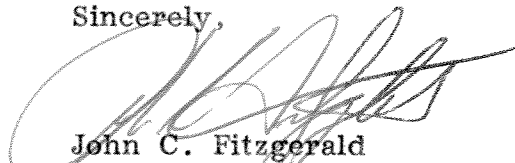
We are pleased that the City of Redlands desires to use Merrill Lynch Capital Markets as its managing underwriter on its proposed \$7,000,000 tax and revenue anticipation note issue for fiscal year 1985-86.

We will structure the note issue as a one-year note dated July 1, 1985, maturing June 30, 1986 and write the official statement along with bond counsel of Best, Best & Krieger. Much economies can be achieved from the work we are currently doing on the Redevelopment Agency's and the City's bond issues. Much of the official statement material is already prepared and printed and we have already included it in our Moody's meeting in New York.

As your managing underwriter we will handle all aspects of the note financing. All costs of issuance, including the bond counsel fee, will not exceed \$15,000. In late June, after the official statement is prepared, we will negotiate the terms (interest rate) based on market conditions. If at that time you are satisfied with them, we will jointly execute a purchase agreement for your notes. At the closing on July 1, 1985 we will provide the City with the note proceeds (\$7,000,000) in exchange for the notes.

I look forward to assisting you and the City with the 1985-86 short-term financing program.

Sincerely,



John C. Fitzgerald
Managing Director
Western Region
Municipal Finance Department

Accepted this 7th day of May 1985

By John E. Holmes