SECURITY PACIFIC NATIONAL BANK
GOVERNMENT SERVICES AND FINANCIAL INSTITUTIONS
DIVISION CREDIT ADMINISTRATION W26-70
BEAUDRY CENTER, 333 SOUTH BEAUDRY AVE., LOS ANGELES, CA 90017
(213) 345-2536

Daniel T. Jackson
Vice President

July 10, 1989

George Kaenel
Finance Director
City of Redlands
30 Cajon Street
Redlands, CA 92373

Dear Mr. Kaenel:

Security Pacific National Bank ("Bank") is please to provide the City of Redlands ("City") a proposal to extend the credit accomodation described below. This proposal is not meant to be, nor shall it be construed as an attempt to define all the terms and conditions of the transactions involved in this financing. Rather, it is intended only to outline certain basic points of business understanding around which the legal documentation is to be structured.

The general terms are as follows:

1. Type and Purpose of Credit: A one year term loan of credit to provide working capital to expire August 1, 1990.

2. Principal Amount: $4,000,000.

3. Interest Rate: Tax exempt rate of 85% of the Bank's cost of funds at the time of funding or tax exempt rate of 80% of the Bank's Prime rate.

   The Bank's cost of funds is to be tied to a 180 day NY CD rate. The current rate is 8.95%.

   The Prime rate is defined as the Bank's floating commercial rate, announced from time to time as its prime rate. Any changes in said interest rate, as a result of a change in the prime rate, will become effective on the effective day of the change in said prime rate.

4. Term: Interest payable quarterly, principal at maturity.

5. Prepayment Penalty: Yes.

6. Commitment Fee: 1/4 of 1% of the commitment.

7. Collateral: None.

8. Other Conditions:

   (a) Subject to review and analysis of all financial statements of the City. Need a copy of the 1986 financial statement along with the 1988-89 budget and 1989-1990 proposed budget.

   (b) In the event that the Bank loses its tax exempt status on this credit due to action taken by the City, including but not limited to the City's incurrence of additional debt, the interest rate shall convert to a tax exempt rate equal to 225 basis pint (2.25%) above the Bank's cost of funds at time of each funding or Prime plus 150 basis pints (1.50%).

   (c) Execution of all necessary and appropriate documentation.

   (d) Reimbursement of all expenses incurred by the Bank in connection with this transaction, not to exceed $10,000.

   (e) Opinion of City Counsel regarding the legality and enforceability of the City to enter into this transaction, including the governmental borrowing codes applicable to this transaction. Opinion shall also address the tax exempt nature of this indebtedness.

   (f) Council's Resolution authorizing this transaction, which further declares which officers have the legal authority to incur indebtedness on behalf of the City.

This proposal shall terminate at our option, if in our opinion, a material adverse change in the property, business prospects, and financial condition of the City prior to the expiration of this proposal. The City's acknowledgement of this letter shall constitute an acceptance of the foregoing terms and conditions. Unless accepted or terminated, this proposal expires on July 21, 1989.

Thank you for considering Security Pacific National Bank in meeting your financing needs. If I may be of further assistance to you, please feel free to call me.

Sincerely,

Daniel T. Jackson
Vice President

Acknowledged and accepted September 6, 1989.

City of Redlands

By: George Kaenel, Finance Director

By: John E. Holmes
John Holmes, City Manager

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Arthur S. Aldridge
Vice President

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AUG 11 1989
FINANCE DEPARTMENT

August 8, 1989

George Kaenel
Finance Director
City of Redlands
30 Cajon Street
Redlands, CA 92373

Dear: Mr. Kaenel

As per your request Security Pacific National Bank has agreed to extend the time of acceptance of our commitment letter to the City of Redlands dated July 10, 1989.

The time for acceptance has been extended to September 15, 1989. All other terms and conditions of our letter of July 10, 1989 remain unchanged.

If you have any questions or need further assistance please feel free to contact us.

Sincerely,

Arthur S. Aldridge
Vice President

ASA/sh