

ORIGINAL

ORDINANCE NO. 5420.

An Ordinance of the City Council of the City of Bellevue, Washington, authorizing the issuance and sale of a limited tax general obligation bond anticipation note of the City in the principal amount of not to exceed \$29,100,000 for the purpose of financing the acquisition of a site, and the improvements thereon, for the development of a public facility for public safety and other civic uses in downtown Bellevue; providing the form, terms, conditions, covenants and maturity of the note; authorizing the sale of the note; providing for the disposition of the proceeds of sale of the note to pay for such acquisition and for costs of issuing the Note; and providing for the issuance of limited tax general obligation bonds of the City.

WHEREAS, the City of Bellevue, Washington (the "City"), has negotiated a purchase and sale agreement to acquire a site in downtown Bellevue, including existing improvements thereon, for the development of a public facility for public safety and other civic uses (the "Public Safety Center"); and

WHEREAS, the City intends to issue limited tax general obligation bonds to finance the acquisition and development of the Public Safety Center; and

WHEREAS, RCW 39.46.050 provides that a local government authorized to issue bonds may establish lines of credit with any qualified depository to be drawn upon in exchange for its obligations; and

WHEREAS, in order to establish a line of credit to finance the cost of acquiring the site, and improvements thereon, for the development of the Public Safety Center, the Council deems it to be in the best interest of the citizens of the City to issue and sell a short-term obligation to evidence the line of credit in the form of a limited tax general obligation bond anticipation note in the principal amount of not to exceed \$29,100,000 (the "Note"); and

ORIGINAL

WHEREAS, because the seller will lease the property from the City for a short-term period of approximately nine months, the City desires to issue the Note as a taxable obligation; and

WHEREAS, the City intends to refinance the Note with the proceeds of one or more series of tax-exempt limited tax general obligation bonds at such time as the seller's private use of the property is reduced to a level that is compatible with tax-exempt financing; and

WHEREAS, on October 31, 2002, on behalf of the City, the City's Financial Advisor issued a request for proposals (as modified by the clarification of terms issued on November 26, 2002) from various financial institutions to acquire the Note and received proposals from three such institutions; and

WHEREAS, the Council has deemed the proposal received from Bank of America, N.A. (the "Bank") to be in the best interest of the City and now wishes to authorize the sale of the Note to the Bank on the terms and conditions therein and in this ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF BELLEVUE, WASHINGTON, AS FOLLOWS:

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

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

"Bonds" means the limited tax general obligation bonds to be issued by the City to pay and redeem the Note.

"City" means the City of Bellevue, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

ORIGINAL

"City Manager" means the City Manager of the City or any successor to the functions of that position, or any individual exercising the functions of that position on an interim basis.

"Council" means the general legislative authority of the City.

"Debt Service Fund" means the City's Interest and Debt Redemption Regular Levy Fund described in Section 6.

"Finance Director" means the Finance Director of the City or any successor to the functions of that position, or any individual exercising the functions of that position on an interim basis.

"LIBOR" means the London Inter-Bank Offered Rate as described in the attached Offer to Purchase.

"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 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" means a variable rate equal to LIBOR plus 33 basis points.

"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.

ORIGINAL

"Note" means the not to exceed \$29,100,000 principal amount of the City of Bellevue, Washington, Limited Tax General Obligation Bond Anticipation Note, 2002 (Taxable) issued pursuant to this ordinance.

"Note Register" means the registration records for the Note maintained by the Note Registrar.

"Note Registrar" means the Finance Director, whose duties include registering and authenticating the Note, maintaining the Note Register, transferring ownership of the Note, and paying the principal of and interest on the Note.

"Offer to Purchase" means the proposal dated November 27, 2002, submitted by the Bank to purchase the Note.

"Outstanding Principal Balance of the Note" means the aggregate of all funds which the City has drawn from the Bank pursuant to the Note.

"Prime Rate" means the interest rate publicly announced from time to time by the Bank as its "Prime Rate." The Prime Rate is set by the Bank based upon various factors, including the Bank's costs and desired return, general economic conditions and other factors and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above or below the Prime Rate. 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 Prime Rate Principal on the Note bears interest at a variable rate equal to the Prime Rate less 240 basis points.

"Prime Rate Principal" means that portion of principal of the Note that is bearing interest at a variable rate equal to the Prime Rate less 240 basis points.

"Project" means the acquisition of the site, and the improvements thereon, for the development of the Public Safety Center.

ORIGINAL

"Project Fund" means the Capital Investment Program Fund, Public Safety Center Project – No. PS - 57 to be used to pay costs of the Project and costs of issuing the Note.

"Registered Owner" means the person in whose name the Note is registered on the Note Register.

"Request for Draw" means a written request by the Finance Director for a draw from the non-revolving line of credit authorized to be established by this ordinance.

"Rule" means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934.

"SEC" means the Securities and Exchange Commission.

Section 2. Findings and Authorization of Project. The City finds that it is in the interests of the citizens of the City that the City complete the Project. The costs of the Project and the costs of issuing the Note, shall be paid out of the proceeds of the Note.

Section 3. Authorization of the Bonds. For the purpose of providing funds to finance or refinance the development of the Public Safety Center, including the Project and costs of issuing the Note and the Bonds, there shall be issued and sold limited tax general obligation bonds of the City to be designated "City of Bellevue, Washington, Limited Tax General Obligation Bonds" in an amount at least sufficient to pay the principal of and interest on the Note or any additional bond anticipation notes issued to redeem the Note on or before maturity, to the extent not paid from other sources.

The Bonds to be issued shall be in such series, principal amounts, denomination(s) and form; shall be dated and bear interest at such rate or rates; shall be payable at such place or places; shall have such option of payment prior to maturity; shall contain and be subject to such covenants; may be combined with any subsequently authorized bonds and issued as a single combined series, as provided hereafter by ordinance of the Council. The Bonds shall be payable from annual taxes levied within and as part of the tax levy permitted the City without a vote of the people

ORIGINAL

together with other money of the City that may be legally used and that the City may apply for such purpose. The full faith, credit and resources of the City are pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 4. Authorization of the Note. In anticipation of the issuance of the Bonds, the City shall, for the purpose of financing the costs of the Project and costs of issuing the Note, establish a non-revolving line of credit. To evidence such line, the City shall issue a short-term obligation in the principal amount of not to exceed \$29,100,000. The short-term obligation shall be designated the "City of Bellevue, Washington, Limited Tax General Obligation Bond Anticipation Note, 2002 (Taxable)," shall be dated as of its date of delivery, shall be fully registered as to both principal and interest, shall be in one denomination of not to exceed \$29,100,000, and shall mature two years after its date of delivery. Amounts drawn on the Note shall bear interest as set forth in the Offer to Purchase attached as Exhibit A, which is hereby incorporated by this reference. Pursuant to the Offer to Purchase, amounts drawn on the Note shall bear interest in one of two variable rate modes: the LIBOR Rate Mode or the Prime Rate Mode.

Each draw under the non-revolving line of credit shall be in the Prime Rate Mode unless the LIBOR Rate Mode is elected for all or a portion of the draw in accordance with this paragraph. 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 his 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 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 his designee, shall give notice (in writing, by facsimile, mail or email) of the draw, mode change or extension to the Bank no later than 12:00 noon Seattle time on a London Banking Day that is at least three London Banking Days before the new LIBOR

ORIGINAL

Interest Rate Period is to begin. A LIBOR Rate Mode may only be elected if all LIBOR Rate Principal equals \$500,000 or more. In the event of a draw in the Prime Rate Mode, the Finance Director shall give notice (in writing, by facsimile, mail or email) of the draw to the Bank by 1:00 p.m. 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.

Interest on the Note shall accrue from the date money is drawn under the Note until paid and shall be computed on the Outstanding Principal Balance of the Note. 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, beginning March 31, 2003 and at maturity or upon prepayment. All principal on the Note shall be paid at maturity or upon prepayment. Interest shall be paid by automatic debit from an account at the Bank to be specified by the City.

Any unused portion of the Note shall be subject to a fee of 7.5 basis points, payable quarterly in arrears and calculated on the basis of the average unused portion of the Note and on the basis of a 360-day year and the actual days elapsed. If the average unused portion of the Note is less than or equal to \$14,550,000 for a quarter, the fee shall not apply.

The Outstanding Principal Balance of the Note on any particular day shall be the aggregate of all funds which the City has drawn from the date of the Note, less the amount of any prepayments of principal. Interest on a particular principal amount so advanced shall be determined from the date of advance pursuant to a Request for Draw.

ORIGINAL

A Request for Draw may be made by the Finance Director in writing (by mail, facsimile or email). The City hereby delegates to the Finance Director, or his designee, authority to make a written Request for Draw pursuant to this ordinance.

Section 5. Registration, Exchange and Payments.

(a) *Registrar/Note Register.* The Finance Director shall act as Note Registrar. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Note if transferred or exchanged in accordance with the provisions of the Note and this ordinance and to carry out all of the Note Registrar's powers and duties under this ordinance.

(b) *Registered Ownership.* The City and the Note Registrar may deem and treat the Registered Owner of the Note as the absolute owner for all purposes, and neither the City nor the Note Registrar shall be affected by any notice to the contrary. Payment of the Note shall be made only as described in Section 5(e). All such payments made as described in Section 5(e) shall be valid and shall satisfy the liability of the City upon the Note to the extent of the amount so paid.

(c) *No Transfer or Exchange of Registered Ownership.* The Note shall not be transferable unless (i) the Bank's corporate name is changed and the transfer is necessary to reflect such change; or (ii) the transferee is a successor in interest of the Bank by means of a corporate merger, an exchange of stock, or a sale of assets.

(d) *Registration Covenant.* The City covenants that it will maintain a system for recording the ownership of the Note that complies with the provisions of Section 149 of the Code.

(e) *Place and Medium of Payment.* Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Principal on the Note shall be payable by check or warrant. Upon final payment of principal and

interest of the Note, the Registered Owner shall surrender the Note for cancellation at the office of the Note Registrar.

Section 6. Debt Service Fund. The "Interest and Debt Redemption Regular Levy Fund" (the "Debt Service Fund") has heretofore been established. A new project entitled "2002 Limited G.O. BAN" is hereby created in the Debt Service Fund. The 2002 Limited G.O. BAN project of the Debt Service Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note.

Money in the 2002 Limited G.O. BAN project of the Debt Service Fund may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any earnings from the investment of such money shall be deposited in the Debt Service Fund.

Section 7. Payment or Prepayment of the Note. Both the principal of and interest on the Note are payable from the proceeds of the sale of the Bonds or refunding bond anticipation notes to be issued by the City or from any other lawfully available funds. The City hereby covenants with the owner of the Note that it will issue the Bonds, refunding bond anticipation notes, or a combination of the foregoing in an amount sufficient together with other lawfully available funds, to pay when due the principal of and interest on the Note and will thereupon redeem the Note.

The City further irrevocably covenants that, unless the principal of and interest on the Note are paid from other sources, it will make annual levies of taxes upon all of the property in the City subject to taxation within and as a part of the tax levy permitted to cities without a vote of the electors in amounts sufficient to pay such principal and interest 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 for the prompt payment of such principal and interest.

Section 8. Right of Prepayment. The City has reserved the right to prepay the Note in whole or in part on any date at par plus accrued interest. No prepayment

ORIGINAL

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 the Offer to Purchase. If the Note is prepaid in full, interest shall cease to accrue on the date such prepayment occurs.

The line of credit is a non-revolving instrument; amounts prepaid may not be subsequently redrawn.

Section 9. Project Fund. The Project Fund has heretofore been established by Ordinance No. 5415. Money in the Project Fund shall be used to pay costs of the Project, costs of issuing the Note, and all costs incidental thereto.

Money remaining in the Project Fund after all of the costs of the Project, costs of issuing the Note, and all costs incidental thereto have been paid may be used for any lawful City purpose.

Money in the Project Fund may temporarily be deposited in such institutions or in such obligations as may be lawful for the investment of City money. Any earnings from the investment of such money shall be retained in and become a part of the Project Fund.

Section 10. Note Deemed To Be No Longer Outstanding. In the event that the City, in order to effect the payment, retirement or redemption of the Note, sets aside in the Debt Service Fund or in another special account, held in trust by a trustee, cash or noncallable government obligations, as such obligations are now or hereafter defined in RCW 39.53, or any combination of cash and/or noncallable government obligations, in amounts and maturities that, together with the known earned income therefrom, are sufficient to redeem or pay and retire the Note in accordance with its terms and to pay when due the interest thereon, and such cash and/or noncallable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on the Note. The owner of the Note shall cease to be entitled to any lien,

benefit or security of this ordinance except the right to receive payment of principal and interest from such special account, and the Note shall be deemed to be not outstanding under this ordinance.

Section 11. Lost 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 amount, date, and tenor to the Registered Owner thereof upon the owner paying the expenses and charges of the City and the Note Registrar in connection therewith and upon filing with the Note Registrar evidence satisfactory to the Note Registrar that the Note was actually lost, stolen or destroyed and of his/her/its ownership thereof, and upon furnishing the City with indemnity satisfactory to the Finance Director.

Section 12. Form of the Note. The Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. 1

Not to exceed \$29,100,000

STATE OF WASHINGTON
CITY OF BELLEVUE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2002
(TAXABLE)

REGISTERED OWNER: Bank of America, N.A.

MATURITY DATE: December __, 2004

INTEREST RATE: Variable, as set forth below

PRINCIPAL AMOUNT: NOT TO EXCEED TWENTY-NINE MILLION ONE HUNDRED THOUSAND AND NO/100 DOLLARS

The City of Bellevue, Washington, a municipal corporation of the State of Washington (the "City") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner hereof, the principal amount of not to exceed \$29,100,000. Each draw pursuant to a Request for Draw under this Note shall bear interest in the LIBOR Rate Mode or in the Prime Rate Mode, as set forth in Ordinance

No. 5420 of the City, adopted on December 9, 2002 (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 principal amount outstanding 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 March 31, 2003 and at maturity or upon early prepayment. Principal on this Note shall be paid on the Maturity Date identified above. Any unused portion of this Note shall be subject to the fee, if any, set forth in the Note Ordinance.

Both principal of and interest on this Note are payable in lawful money of the United States of America. Principal and interest shall be paid to the Registered Owner hereof at the office of the Finance Director of the City in Bellevue, Washington, out of the Debt Service Fund of the City. Reference is made to the Note Ordinance for the definition of other capitalized terms used herein.

The City has reserved the right to prepay this Note in whole or in part at any time at a price of par. 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.

The City has covenanted with the owner of this Note that it will issue and sell limited tax general obligation bonds in an aggregate principal amount sufficient, with such other moneys of the City available for such purposes as the Council may, from time to time appropriate and set aside, to pay the principal of and interest on this note when due and will thereupon redeem this Note. The City further covenants that it will levy taxes annually upon all the taxable property in the City within the levy limits permitted to cities without a vote of the electors and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on this 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.

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 Certificate of Authentication hereon shall have been manually signed by the Note Registrar.

This Note is issued pursuant to the Constitution and laws of the State of Washington, and duly adopted ordinances of the City, to provide interim financing for the acquisition of a site, and improvements thereon, for the development of a public facility for public safety and other civic uses in downtown Bellevue.

The Note is not transferable unless (i) the Registered Owner's corporate name is changed and the transfer is necessary to reflect such change; or (ii) the transferee is a successor in interest of the Registered Owner by means of a corporate merger, an exchange of stock, or a sale of assets.

ORIGINAL

It is hereby certified and declared 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 and that the total indebtedness of the City including this Note, does not exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the City of Bellevue, Washington, has caused this Note to be signed by the facsimile or manual signature of its Mayor, to be attested by the facsimile or manual signature of its Clerk, and the official seal of the City to be impressed or imprinted hereon, this ____ day of December, 2002.

CITY OF BELLEVUE, WASHINGTON

By _____
Mayor

ATTEST:

Clerk

The Certificate of Authentication for the Note shall be in substantially the following form and shall appear on the front of the Note:

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Note is described in the within-referenced Ordinance No. 5420 of the City of Bellevue, Washington, and is the City of Bellevue, Washington, Limited Tax General Obligation Bond Anticipation Note, 2002 (Taxable) dated December ____, 2002.

FINANCE DIRECTOR
As Note Registrar

By _____

Section 13. Execution of the Note. The Note shall be signed on behalf of the City by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the City Clerk, and shall have the official corporate seal of the City impressed or imprinted thereon.

ORIGINAL

Only such Note as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

In case either of the officers of the City who shall have executed the Note shall cease to be such officer or officers of the City before the Note so signed shall have been authenticated or delivered by the Note Registrar, or issued by the City, such Note may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. The Note may also be signed and attested on behalf of the City by such persons as at the actual date of execution of such Note shall be the proper officers of the City although at the original date of such Note any such person shall not have been such officer.

Section 14. Application of Proceeds of the Note. The proceeds of the Note shall be deposited into the Project Fund and used to finance the Project.

Section 15. Sale of the Note. The City hereby accepts the Offer to Purchase in accordance with the terms contained in this ordinance and the Offer to Purchase attached as Exhibit A. The Finance Director is hereby authorized to agree to any other terms, conditions and covenants that are in the best interests of the City and in accordance with the Offer to Purchase.

The appropriate City officials are hereby authorized and directed to do everything necessary for prompt issuance, execution and delivery of the Note and for the proper application and use of the proceeds thereof. Upon delivery of the Note, the City shall pay to the Bank a fee of \$7,500, and reimburse the Bank for its legal fees in an amount

ORIGINAL

not to exceed \$500, which payments shall be made by check, wire transfer or other mutually acceptable means.

Section 16. General Authorization; Ratification of Prior Acts. The Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in his 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 17. Ongoing Disclosure; Information to Bank. With respect to the Note, the City is exempt from the official statement and ongoing disclosure requirements of the Rule.

The City hereby covenants and agrees for as long as any of the Note remains outstanding, that it will provide to the Bank: (i) when prepared and available to the City, a copy of the audited financial statements of the City for each fiscal year; (ii) within 30 days after its adoption, a copy of the budget ordinance for the City; and (iii) when prepared and available to the City, a copy of the published budget document.

Section 18. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

ORIGINAL

Section 19. Effective Date. This ordinance shall become effective five days after its passage and publication, as required by law.

PASSED by the City Council of the City of Bellevue, Washington at a regular meeting of the Council, this 9th day of December, 2002, and signed in authentication of its passage this 9th day of December, 2002.

CITY OF BELLEVUE, WASHINGTON

Connie Marshall
Mayor

ATTEST:

Myrna Z. Basic
City Clerk

APPROVED AS TO FORM:

Patrice C. Cole
Assistant City Attorney

Published December 13, 2002

ORIGINAL

Exhibit A

Offer to Purchase

ORIGINAL



Kerrin M. Gibbons
Senior Vice President
Public Sector Banking

November 27, 2002

Rebecca Chao
President
Regional Financial Advisors, Inc.
733 SW Vista Avenue
Portland, OR 97205-1203

Dear Rebecca:

Bank of America, N.A. (the "Bank"), is pleased to present the following commitment to provide a Line of Credit to the City of Bellevue, Washington (the "City") for the purchase of an existing building in downtown Bellevue. Attached to this letter, as Exhibit A, is a Summary of Terms and Conditions for the line of credit.

Bank of America can offer the City flexible financing for a lower overall cost. After reviewing possible alternatives, and keeping in mind the City's preference for repayment flexibility without prepayment fees, we recommend the City manage fixed rate borrowings using LIBOR. LIBOR based borrowings will allow the City to lock in a fixed rate interest period in one-month increments up to a year. See attached Exhibit B for additional information on LIBOR. We have also included a Prime rate option to allow the City flexibility to switch from LIBOR rate at the LIBOR reset date and back to LIBOR as the City determines is appropriate. This may include situations where the advance is needed for less than 30 days, or due to attractiveness of the alternate rate.

The City has indicated potential need to increase the line at a subsequent date. While any such increase or extension in maturity is subject to credit approval at that time, we anticipate no problem in meeting your needs given the City's strong and stable financial condition.

We have obtained credit approval and therefore are prepared to close the loan with a very quick turnaround upon receipt of draft documents from your bond counsel.

We would very much enjoy the opportunity to work the City and their financial advisors. I look forward to hearing from you and please give me a call if I can answer any questions that you or any one else from the City may have.

Sincerely,
Bank of America, N.A.

By:

A handwritten signature in cursive script that reads "Kerrin M. Gibbons".

Kerrin M. Gibbons, SVP
Senior Client Manager

A handwritten signature in cursive script that reads "Nancy Nuerenberg".

Nancy Nuerenberg, SVP
Senior Credit Products Officer

cc: Arnaz Bharucha, City of Bellevue

Ms. Rebecca Chao
November 27, 2002

Exhibit A Summary of Terms and Conditions

Borrower	City of Bellevue, Washington
Proposed Form of Credit:	Non-Revolving Line of Credit, Bond Anticipation Note, Taxable
Amount of Credit:	\$29,100,000
Proposed Term:	Two years from closing
Closing Date:	Estimated on or before December 16, 2002
Purpose:	Purchase an existing building and renovate into new Public Safety Center.
Security:	Limited tax general obligation of the City.
Advances:	Advances are available up to a total of \$29,100,000. Any advances repaid prior to maturity may not be re-borrowed.
Interest Rate:	<p>City may elect at any time, subject to the terms below and in Exhibits B and C, either a Fixed Rate option or a Variable Rate option.</p> <p>Fixed Rate option:</p> <p><u>LIBOR</u></p> <ul style="list-style-type: none">• LIBOR plus 33 bp, fixed for the interest period selected. Available interest periods in one-month increments ranging from one month to 12 months (see Exhibit B).• Minimum advance for LIBOR borrowings: \$500,000.• As indication only, today's interest rate for 9 month LIBOR + 33 bp is 1.84%• Interest is calculated on an Actual/ 360-day basis. <p>Variable Rate option:</p> <p><u>Prime Rate</u></p> <ul style="list-style-type: none">• Prime Rate less 240 bp, changing on the date of any Prime Rate change.• As indication only, as of today's date Prime - 240 bp is 1.85%.• No minimum advance requirement• Interest is calculated on an Actual/ 365-day basis.

ORIGINAL

Ms. Rebecca Chao
November 27, 2002

- Fees:**
- Commitment fee: \$7,500 payable upfront at closing.
 - Unused fee: 7.5 basis points
 - Payable quarterly in arrears, calculated on the average unused amount of the Line.
 - No unused commitment fee if average outstanding for the quarter is > 50% of the Line Amount
 - City is responsible for bond counsel fees and Bank attorney fees. Bank counsel fees not to exceed \$500.00

Repayment: Interest is payable quarterly. Principal is due in full at maturity from proceeds of long term LTGO bonds.

- Prepayment Fees:**
- 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 C.
 - If Prime Rate option is selected, no prepayment fee applies

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

Increase in Facility / Renewal Options: City may request increase in line of credit at any time during the term of the line of credit. City may request renewal of the line of credit for additional term prior to maturity of the line. Such requests will be subject to bank credit approval. Terms and conditions, including rates, fees, and maturity date are subject to negotiation at that time.

This commitment is subject to receipt and satisfactory review of the following:

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

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.

ORIGINAL



Ms. Rebecca Chao
November 27, 2002

**Exhibit B
LIBOR RATE DEFINITIONS**

LIBOR Rate. The election of LIBOR Rates shall 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 Five Hundred Thousand Dollars (\$500,000).
- (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.

As an indication only, LIBOR rates as of 11-27-02 are as follows:

Interest Period	Rate as of 11-27-02
1 month	1.37%
2 months	1.42%
3 months	1.41%
4 months	1.41%
5 months	1.43%
6 months	1.43%
7 months	1.45%
8 months	1.48%
9 months	1.51%
10 months	1.56%
11 months	1.61%
12 months	1.67%

ORIGINAL

Ms. Rebecca Chao
November 27, 2002

Exhibit C
Fixed Rate Prepayment Fee

Under the Fixed 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.