

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

SCHEDULE OF TRANSCRIPT DOCUMENTS

1. List of Financing Participants.
2. City of Lakeport (the "City") Resolution No. 2105 (2002) entitled "A Resolution of the City Council of the City of Lakeport Authorizing the Borrowing of Funds from Municipal Finance Corporation to Refinance the Outstanding 1993 Loan, and Approving Related Documents" adopted by the City Council of the City on May 8, 2002, together with Certificate Regarding Effectiveness of Resolution.
3. Loan Agreement, dated as of May 30, 2002, by and between Municipal Finance Corporation ("MFC") and the City.
4. Assignment of Loan Agreement, dated as of May 30, 2002, by MFC, as accepted by WestAmerica Bank.
5. Irrevocable Refunding Instructions by the City, as accepted by U.S. Bank, N.A., together with City instructions to mail redemption.
6. Officer's Certificate of the City.
7. Certificate Regarding Reserve Fund Deposit.
8. Certificate Regarding Use of Proceeds.
9. Certificate Regarding Parity Debt.
10. Receipt of 1993 Bond Trustee.
11. Certificate of 1993 Bond Trustee.
12. MFC Receipt Of Proceeds For Costs Of Issuance.
13. Certificate of Mailing Information Return for Tax-Exempt Governmental Obligations Form 8038-G to the Internal Revenue Service Center, together with Form 8038-G.
14. Verification Report, prepared by Grant Thornton LLP
15. Final Approving Legal Opinion of Jones Hall, A Professional Law Corporation, as bond counsel.
16. Certificate of Mailing Report of Final Sale to the California Debt and Investment Advisory Commission ("CDIAC") and Acknowledgment of Receipt of Report of Proposed Debt Issuance from CDIAC, together with Reports. (2002-1362)

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CITY OF LAKEPORT
2002 REFUNDING LOAN
FINANCING PARTICIPANTS

CITY**CITY OF LAKEPORT****•Randy L. Johnsen (•, †)***City Manager*

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(707) 263-8584 (Fax)

lakeportcm@jps.net**BOND COUNSEL****JONES HALL****•Charles F. Adams, Esq. (•)****•Julie A. Wunderlich, Esq.****•David A. Walton, Esq. (Tax Matters)****•Phyllis C. Henry***Senior Project Coordinator*

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• - Original Transcript Recipient

† - Copy Transcript Recipient

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CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE REGARDING EFFECTIVENESS OF RESOLUTION

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Deputy City Clerk of the City of Lakeport (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same; and

(ii) that Resolution No. 2105 (2002) entitled "A Resolution of the City Council of the City of Lakeport Authorizing the Borrowing of Funds from Municipal Finance Corporation to Refinance the Outstanding 1993 Loan, and Approving Related Documents", was duly adopted by the City Council on May 8, 2002 and has not been modified, amended, rescinded or revoked and remains in full force and effect as of the date hereof.

Dated: May 30, 2002

CITY OF LAKEPORT

By: _____

Barbara Sarao

Barbara Sarao,
Deputy City Clerk

**CITY OF LAKEPORT
RESOLUTION NO. 2105 (2002)**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT,
AUTHORIZING THE BORROWING OF FUNDS FROM
MUNICIPAL FINANCE CORPORATION TO REFINANCE
THE OUTSTANDING 1993 LOAN,
AND APPROVING RELATED DOCUMENTS**

WHEREAS, the City of Lakeport (the "City") presently owns and operates certain facilities and improvements for the domestic water supply system of the City (the "Enterprise"), and in order to provide financing for the Enterprise, the City has previously entered into a Loan (the "1993 Loan") with California Statewide Communities Development Authority ("CSCDA") pursuant to a Loan Agreement date as of June 1, 1993 with CSCDA; and

WHEREAS, the City has determined that it is in its best interests at this time to refinance the outstanding 1993 Loan and thereby realize interest rate savings, and in order to provide funds for that purpose the City has further determined to borrow an amount not to exceed \$915,000.00 from Municipal Finance Corporation (the "Lender"), the repayments of which will be secured by a pledge of and lien on the net revenues of the Enterprise; and

WHEREAS, the City has previously entered into an Installment Sale Agreement, dated as of August 15, 2000 (the "2000 Installment Sale Agreement") with the Lakeport Public Financing Authority (the "Authority") in connection with the issuance of Certificates of Participation, City of Lakeport (1998 Water Project - Series 2000), under which the City agreed to make installment payments to the Authority in order to purchase certain improvements to the Enterprise (the "Installment Payments"), which Installment Payments are secured by a pledge of and lien on the net revenues of the Enterprise, and the City intends to secure its obligations to the Lender on a parity with the pledge and lien which secures the Installment Payments; and

WHEREAS, the City is authorized to borrow amounts from the Lender for the purpose of refinancing the 1993 Loan under the laws of the State of California, including the provisions of Article 10, Chapter 3, Part 1, Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"); and

WHEREAS, the Lender intends to assign its rights under the financing to Westamerica Bank, which will provide the funds with which to make the loan to the City to refinance the 1993 Loan; and

WHEREAS, the City Council approves all of said transactions in furtherance of the public purposes of the City, and the City Council wishes at this time to authorize all proceedings relating to the borrowing of funds from the Lender for the purpose of refinancing the 1993 Loan;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the City Council of the City of Lakeport as follows:

Section 1. Approval of Loan. The City Council hereby approves the borrowing of funds from the Lender, in the maximum principal amount of \$915,000.00, under the Loan Agreement in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager or Finance Director. The City Council hereby authorizes and directs the City Manager, the Finance Director and any other officer or other appropriate official (each an "Authorized Official") to execute, and the City Clerk to attest and affix the seal of the City to, the final form of the Loan Agreement for and in the name of the City. The City Council hereby further approves the assignment by the Lender of its rights under the Loan Agreement to Westamerica Bank in accordance with an Assignment of Loan Agreement.

Section 2. Authorization to Refinance 1993 Loan. The City Council hereby authorizes and directs an Authorized Official to execute all documents, certificates and other documents, and take all actions, as may be required to effectuate the refinancing of the 1993 Loan and to take all actions with respect to the administration and investment of funds (including but not limited to funds and accounts established for the 1993 Loan) in connection therewith.

Section 3. Official Actions. The Authorized Officials are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Lakeport at a regular meeting held on May 8, 2002, by the following vote:

AYES:	Council Members Rumpfelt, DeRezendes and Bruns
NOES:	None
ABSTAIN:	None
ABSENT:	Mayor Lamkin and Council Member Knoll

Resolution No. 2105 (2002)

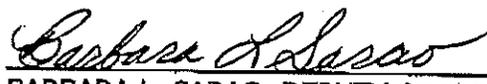
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ATTEST:


JANEL M. CHAPMAN, CITY CLERK


RICHARD E. LAMKIN, MAYOR

I certify that the above and foregoing Resolution No. 2105 (2002) was duly introduced, read and adopted by the City Council of the City of Lakeport at a regular meeting held on May 8, 2002.


BARBARA L. SARAO, DEPUTY CITY CLERK

**NOT OFFICIAL UNTIL APPROVED
BY THE LAKEPORT CITY COUNCIL**

**LAKEPORT CITY COUNCIL
REGULAR MEETING
MAY 8, 2002**

**I. CALL TO ORDER
II. AND ROLL CALL**

Mayor Pro Tem Rumpfelt called the regular meeting of City Council of the City of Lakeport to order at 6:02 p.m. with Council Members Shirleen DeRezendas, and Buzz Bruns present. Mayor Lamkin and Council Member Knoll were absent.

III. PLEDGE OF ALLEGIANCE

City Manager Johnsen led the Pledge of Allegiance.

IV. ACCEPTANCE OF AGENDA

A motion was made by Council Member DeRezendas, seconded by Council Member Bruns, and unanimously carried by voice vote to accept the agenda as presented. There were no urgency items.

V. COMMUNICATIONS

- A. Citizen Input
- B. Request from Lakeport Kiwanis

There was no citizen input.

A motion was made by Council Member Bruns, seconded by Council Member DeRezendas, and unanimously carried by voice vote to donate \$100 to Kiwanis for the Red Hot & Rollin' Car and Motorcycle Show.

VI. CONSENT CALENDAR

- A. Ordinances
- B. Warrants
- C. Minutes
- D. Building Permit Report
- E. Park & Recreation Commission Minutes
- F. Lake County/City Area Planning Council

Waive reading except by title, of any ordinances under consideration at this meeting for either introduction or passage per *Government Code* Section 36934.

Approval of warrants as listed on Warrant Register dated May 8, 2002.

Approval of minutes from the regular City Council meeting of April 24, 2002.

Receive and file a copy of the April, 2002, Building Permit Report.

Receive and file draft Parks and Recreation Commission minutes of April 25, 2002.

Receive and file letter from APC to Assemblywoman Strom-Martin regarding special legislation for local sales tax measures.

Vote on Consent Calendar

A motion was made by Council Member Bruns, seconded by Council Member DeRezendas, and unanimously carried by voice vote to accept Consent Calendar items A through F as presented. The Mayor is authorized to sign any necessary documents.

VII. ADMINISTRATION COMMUNICATIONS

- A. City Manager 

A motion was made by Council Member Bruns, seconded by Council Member DeRezendas, and unanimously carried by voice vote to adopt Resolution No. 2105 (2002) authorizing the borrowing of funds from Municipal Finance Corporation to refinance the outstanding 1993 loan, and approving related documents.

VIII. CITY COUNCIL COMMUNICATIONS

- A. League of California Cities
- B. Miscellaneous Reports
 - 1. Transit Authority
 - 2. League Conference
 - 3. High Street Project
 - 4. Westside Community Park

The Mayor and City Manager will be attending a general membership meeting of the Redwood Empire Division, League of California Cities at Barbow near Garberville on May 11, 2002.

Council Member Rumpfelt reported that the Transit Authority will be selling tickets for \$15 that will allow youth to go anywhere on the bus for the summer.

City Attorney Brookes reported that he attended the workshops at the League conference.

City Engineer Stevenson reported that the paving work is going well on High Street.

City Engineer Stevenson reported that grading work at Westside Community Park is a little more work than originally anticipated.

**NOT OFFICIAL UNTIL APPROVED
BY THE LAKEPORT CITY COUNCIL**

Minutes of the City Council Meeting of May 8, 2002

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5. Westshore Pool

City Manager Johnsen reported that they are still waiting on parts to be able to get the pool open.

IX. ADJOURNMENT

There being no further business, the meeting was adjourned at 6:24 p.m.

ATTEST:

APPROVED:

JANEL M. CHAPMAN, City Clerk

R. E. LAMKIN, Mayor

LOAN AGREEMENT

This LOAN AGREEMENT, (this "Loan Agreement"), dated for convenience as of May 30, 2002, is between MUNICIPAL FINANCE CORPORATION, a corporation duly organized and existing under the laws of the State of California (the "Lender"), and the CITY OF LAKEPORT, a municipal corporation and general law city organized and existing under the laws of the State of California (the "City").

BACKGROUND:

1. The City presently owns and operates certain facilities and improvements for the domestic water supply system of the City (the "Enterprise"), and in order to provide financing for the Enterprise, the City has previously entered into a Loan (the "1993 Loan") with California Statewide Communities Development Authority ("CSCDA") pursuant to a Loan Agreement dated as of June 1, 1993 (the "1993 Loan Agreement").

2. The City has determined that it is in its best interests at this time to refinance the outstanding 1993 Loan and thereby realize interest savings, and in order to provide funds for that purpose the City has further determined to borrow the amount of \$873,577.18 from the Lender under this Loan Agreement, to be secured by a pledge of and lien on the net revenues of the Enterprise as set forth in this Loan Agreement.

3. The City has previously entered into an Installment Sale Agreement, dated as of August 15, 2000 (the "2000 Installment Sale Agreement") with the Lakeport Public Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority") in connection with the issuance of Certificates of Participation, City of Lakeport (1998 Water Project - Series 2000) (the "2000 Certificates"), under which the City agreed to make installment payments to the Authority in order to purchase certain improvements to the Enterprise (the "Installment Payments"), which Installment Payments are secured by a pledge and lien on the net revenues of the Enterprise, and the City intends to secure its obligations under this Loan Agreement on a parity with the pledge and lien which secures the Installment Payments.

4. The City is authorized to enter into this Loan Agreement and to borrow amounts hereunder for the purpose of refinancing the 1993 Loan under the laws of the State of California, including the provisions of Article 10, Chapter 3, Part 1, Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

5. Concurrently with the execution and delivery of this Loan Agreement, the Lender has assigned its rights hereunder to Westamerica Bank.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the City and the Lender formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS AND APPENDICES

SECTION 1.1. *Definitions.* All terms defined in the recitals of this Agreement and in this Section 1.1 have the meanings therein and herein specified for all purposes of this Loan Agreement.

"Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such 12 month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer retained by the City and reasonably satisfactory to the Assignee.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such 12 month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12 month period, all as shown by the certificate or opinion of an independent certified public accountant employed by the City.

"Assignee" means (a) initially, Westamerica Bank, as assignee of certain rights of the Lender hereunder, and (b) any other entity to whom the rights of the Lender are assigned hereunder.

"Authority" means the Lakeport Public Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Closing Date" means the date of execution and delivery of this Loan Agreement by the parties hereto, being May 30, 2002.

"City" means the City of Lakeport, a municipal corporation and general law city organized and existing under the laws of the State of California.

"Enterprise" means any and all facilities, properties and improvements at any time owned, controlled or operated by the City for the supplying of water, including reservoirs, wells, treatment plants, water mains, laterals, pumping stations, pipes, valves, machinery, meters and all other appurtenances necessary, useful or convenient for the supplying of water and any necessary lands, rights of way or other real or personal property useful in connection therewith.

"Event of Default" means any of the events of default as defined in Section 5.1.

"Federal Securities" means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

"Fiscal Year" means each twelve-month period during the Term of this Loan Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the City as its fiscal year period.

"Gross Revenues" means all gross income and revenue received by the City from the ownership and operation of the Enterprise, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Enterprise, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is not limited by or pursuant to the law to the Enterprise, and (c) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted in the Installment Sale Agreement; provided that the term "Gross Revenues" shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the City.

"Installment Payments" means the payments required to be paid by the City to the Authority pursuant to the 2000 Installment Sale Agreement.

"Lender" means Municipal Finance Corporation, a corporation duly organized and existing under the laws of the State of California.

"Loan" means the loan made by the Lender to the City under Section 3.1.

"Loan Agreement" means this Loan Agreement, dated as of May 30, 2002, between the Lender and the City.

"Loan Repayment Date" means May 30 and November 30 in each year, commencing November 30, 2002 and continuing to and including the date on which the Loan Repayments are paid in full.

"Loan Repayments" means all payments required to be paid by the City under Section 3.4, including any prepayment thereof under Sections 6.1 or 6.2.

"Maximum Annual Debt Service" means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year during the Term of this Loan Agreement by totaling the aggregate amount of (i) the Loan Repayments coming

due in such Fiscal Year, (ii) the Installment Payments coming due in such Fiscal Year, and (iii) principal and interest coming due and payable in such Fiscal Year on any Parity Obligations, including the principal amount coming due and payable by operation of mandatory sinking fund redemption. There shall be excluded from such calculation any Installment Payments, the Loan Repayments and any Parity Obligations which have been defeased or discharged, or for the payment of which a security deposit has been posted. With respect to the Installment Payments and any Parity Obligations which bear interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the 5 previous whole calendar years as shown by the J. J. Kenny Index (or, following the retirement of the Installment Payments, and at any time in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations as may be selected by the City in its sole discretion).

"Net Revenues" means Gross Revenues less Operation and Maintenance Expenses.

"1993 Bond Indenture" means the Indenture dated as of June 1, 1993, between CSCDA and First Trust of California, National Association, as trustee, authorizing the issuance of the 1993 Bonds.

"1993 Bonds" means the California Statewide Communities Development Authority Water Revenue Refunding Bonds, Senior Series 1993A and Subordinate Series 1993B issued in the aggregate original principal amounts of \$14,195,000 and \$8,000,000 and outstanding under the 1993 Bond Indenture.

"Operation and Maintenance Expenses" means all expenses and costs of management, operation, maintenance and repair of the Enterprise and all incidental costs, fees and expenses properly chargeable to the Enterprise (but not including debt service or other similar payments on Parity Obligations or other obligations and depreciation and obsolescence charges or reserves therefor and amortization of intangibles and inter-fund transfers or other bookkeeping entries of a similar nature).

"Parity Obligations" means any bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Loan Repayments and other parity obligations.

"Refunding Instructions" means the Irrevocable Refunding Instructions, dated the Closing Date, given by the City to U.S. Bank, N.A., as trustee for the 1993 Bonds.

"Reserve Fund" means the fund by that name established and held by the City under Section 3.7.

"Reserve Requirement" means an amount equal to \$82,220.70.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

"Term of this Loan Agreement" or "Term" means the time during which this Loan Agreement is in effect, as provided in Section 3.3.

"Trust Administrator" means the City Manager of the City, or any successor thereto, acting as Trust Administrator pursuant to the 2000 Trust Agreement.

"2000 Certificates" means the Certificates of Participation (1998 Water Project - Series 2000) executed and delivered by the Trust Administrator in the aggregate original principal amount of \$3,050,000 and outstanding under the 2000 Trust Agreement.

"2000 Installment Sale Agreement" means the Installment Sale Agreement dated as of August 15, 2000, between the Authority, as seller, and the City, as purchaser.

"2000 Trust Agreement" means the Trust Agreement, dated as of August 15, 2000, among the City of Lakeport Finance Director, as Trust Administrator, the Authority and the City.

SECTION 1.2. *Appendix.* The following Appendix is attached to, and by reference made a part of, this Loan Agreement:

APPENDIX A: The schedule of Loan Repayments to be paid by the City hereunder, showing the date and amount of each Loan Repayment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the City.* The City represents, covenants and warrants to the Lender as follows:

- (a) Due Organization and Existence. The City is a municipal corporation organized and existing under the laws of the State of California.
- (b) Authorization. The laws of the State of California authorize the City to enter into this Loan Agreement, to enter into the transactions contemplated hereby and to carry out its obligations hereunder, and the City Council of the City has duly authorized the execution and delivery of this Loan Agreement.
- (c) No Violations. Neither the execution and delivery of this Loan Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the City, other than as set forth herein.
- (d) Prior Indebtedness. The City has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the

payment of the Installment Payments and the Loan Repayments as provided herein.

SECTION 2.2. *Representations, Covenants and Warranties of Lender.* The Lender represents, covenants and warrants to the City as follows:

- (a) Due Organization and Existence. The Lender is a corporation duly organized and existing under the laws of the State of California; has power to enter into this Loan Agreement; is possessed of full power to make the Loan as provided herein; and the governing board of the Lender has duly authorized the execution and delivery of this Loan Agreement.
- (b) No Encumbrances. The Lender will not pledge or assign the Loan Repayments or its other rights under this Loan Agreement, except as provided under the terms of this Loan Agreement.
- (c) No Violations. Neither the execution and delivery of this Loan Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lender is now a party or by which the Lender is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lender.

ARTICLE III

TERMS OF LOAN

SECTION 3.1. *Obligation to Make Loan; Amount of Loan.* The Lender hereby agrees to lend to the City, and the City hereby agrees to borrow from the Lender, the amount of \$873,577.18 under the terms and provisions set forth in this Loan Agreement. The Loan shall be made by the Lender to the City in immediately available funds on the Closing Date.

SECTION 3.2. *Application of Loan Proceeds.* The Lender hereby agrees to apply a portion of the proceeds of the Loan in the approximate amount of \$10,000 to pay the costs incurred in connection with the making of the Loan. The City further agrees on the Closing Date to direct that the remaining balance of the Loan, in the amount of \$863,577.18, be deposited with U.S. Bank, N.A., as trustee for the 1993 Bonds, to be held and administered under the Refunding Instructions for the purpose of prepaying the 1993 Loan in full and redeeming a portion of the 1993 Bonds. As provided in the Refunding Instructions, the 1993 Loan shall be prepaid in full and discharged on June 1, 2003.

SECTION 3.3. *Term.* The Term of this Loan Agreement commences on the Closing Date, and ends on the date on which the Loan is paid in full or provision for such payment is made as provided herein.

SECTION 3.4. *Loan Repayments.*

(a) Obligation to Pay. The City hereby agrees to repay the Loan in the aggregate principal amount of \$873,577.18 together with interest (calculated at the rate of 5.10% on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Loan Repayments in the respective amounts and on the respective Loan Repayment Dates specified in Appendix A.

As a result of the assignment by the Lender to the Assignee of the right of the Lender to receive the Loan Repayments, the City shall pay all Loan Repayments when due directly to the Assignee.

(b) Effect of Prepayment. If the City prepays the Loan Repayments in full under Article VI, the City's obligations under this Loan Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Loan Repayments under this Section 3.4; subject however, to the provisions of Section 6.3 in the case of prepayment by application of a security deposit. If the City prepays the Loan in part but not in whole under Section 6.2, the principal components of the remaining Loan Repayments shall be reduced on a pro rata basis.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section 3.4, the payment in default shall continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the Loan Repayment Date to the applicable date of payment at the rate of 8% per annum.

SECTION 3.5. *Nature of City's Obligations.*

(a) Special Obligation. The City's obligation to pay the Loan Repayments is a special obligation of the City limited solely to the Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Loan Repayments, and no other funds or property of the City are liable for the payment of the Loan Repayments. Notwithstanding the foregoing provisions of this Section, however, nothing herein prohibits the City voluntarily from making any payment hereunder from any source of available funds of the City.

(b) Obligations Absolute. The obligations of the City to pay the Loan Repayments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City or the Lender of any obligation to the City or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Lender. Until such time as all of the Loan Repayments have been fully paid or prepaid, the City:

- (i) will not suspend or discontinue payment of any Loan Repayments,
- (ii) will perform and observe all other agreements contained in this Loan Agreement, and
- (iii) will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration,

eviction or constructive eviction, destruction of or damage to the Enterprise, sale of the Enterprise, the taking by eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Lender to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

(c) Protection of Rights. If the Lender fails to perform any such agreements on its part, the City may institute such action against the Lender as the City deems necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding subsection (b). The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Lender prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Lender will cooperate fully with the City and take such action necessary to effect the substitution of the City for the Lender in such action or proceeding if the City shall so request.

SECTION 3.6. *Pledge and Application of Net Revenues.*

(a) Pledge. All of the Net Revenues are hereby irrevocably pledged to the punctual payment of the Loan Repayments and any Parity Obligations, on a parity with the pledge and lien which secures the Installment Payments. The Net Revenues and such other funds may not be used for any other purpose so long as any of the Installment Payments, the Loan Repayments and any Parity Obligations remain unpaid; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by this Section 3.6. Such pledge constitutes a first and exclusive lien on the Net Revenues and such other moneys for the payment of the Loan Repayments, the Installment Payments and any Parity Obligations in accordance with the terms hereof and the terms of the instrument authorizing the issuance of any Parity Obligations. In addition, the Loan shall be secured by an exclusive pledge of and lien on the Reserve Fund and the amounts and securities held therein by the City.

(b) Deposit of Gross Revenues; Transfers to Make Loan Repayments. The City shall deposit all of its Gross Revenues immediately upon receipt in one or more funds to be held and maintained by the City. All Net Revenues will be held by the City in such fund or funds in trust for the benefit of the Lender and for the benefit of the owners of the 2000 Certificates and any Parity Obligations. The City shall withdraw from such fund or funds and transfer to the Lender an amount of Net Revenues equal to the aggregate amount of the Loan Repayment when and as the same becomes due and payable. In addition, the City shall withdraw from such funds such amounts of Net Revenues at such times as required to pay the Installment Payments and the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the 2000 Installment Sale Agreement, the 2000 Trust Agreement and the instruments authorizing the issuance of any Parity Obligations.

(c) Other Uses Permitted. The City shall manage, conserve and apply the Net Revenues in such a manner that all deposits required to be made under the preceding paragraph will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing hereunder, the City may at any time and from time to time use and apply Net Revenues

for (i) the acquisition and construction of improvements to the Enterprise; (ii) the prepayment of the Loan and any Parity Obligations, or (iii) any other lawful purpose of the City. If the amount on deposit in the Reserve Fund at any time falls below the Reserve Requirement, the City shall restore the full amount of the Reserve Requirement therein from the first available Net Revenues, notwithstanding anything herein to the contrary.

SECTION 3.7. *Reserve Fund.* There is hereby created a separate fund to be known as the "Reserve Fund", to be held in trust by the City for the benefit of the Lender. On the Closing Date, the City shall deposit into the Reserve Fund the full amount of the Reserve Requirement, which may consist of Federal Securities having a maturity value at least equal to the Reserve Requirement. An amount equal to the Reserve Requirement shall be maintained in the Reserve Fund at all times, and any deficiency therein shall be replenished from the first available Net Revenues. Moneys in the Reserve Fund shall be used by the City solely for the purpose of paying the Loan Repayments on any Loan Repayment Date if the Net Revenues are insufficient therefor. Any amounts on deposit in the Reserve Fund may be applied at any time by the City towards the payment or prepayment of the Loan Repayments in full. The City shall apply any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement to pay interest next coming due and payable on the Loan.

ARTICLE IV

COVENANTS OF THE CITY

SECTION 4.1. *Release and Indemnification Covenants.* The City shall indemnify the Lender and its officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Enterprise by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Loan Agreement,
- (c) any intentional misconduct or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, and
- (d) any intentional misconduct or negligence of any lessee of the City with respect to the Enterprise.

No indemnification is made under this Section 4.1 or elsewhere in this Loan Agreement for willful misconduct, gross negligence, or breach of duty under this Loan Agreement by the Lender, its officers, agents, employees, successors or assigns.

SECTION 4.2. *Sale or Eminent Domain of Enterprise.* Except as provided herein, the City covenants that the Enterprise will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Loan Repayments,

the Installment Payments or the principal and interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Loan Agreement, the 2000 Installment Sale Agreement, the 2000 Trust Agreement or the documents authorizing the issuance of any Parity Obligations. The City shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Loan Repayments, the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Lender with respect to the Net Revenues. If any substantial part of the Enterprise is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay or redeem the Loan, the 2000 Certificates and any Parity Obligations, on a pro rata basis, in the manner provided herein, in the 2000 Trust Agreement and in the documents authorizing such Parity Obligations.

Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall either (a) be used for the acquisition or construction of improvements and extension of the Enterprise, or (b) be applied to prepay or redeem the Loan, the 2000 Certificates and any Parity Obligations, on a pro rata basis, in the manner provided herein, in the 2000 Trust Agreement and in the documents authorizing such Parity Obligations.

SECTION 4.3. *Insurance.* The City shall at all times maintain with responsible insurers all such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Enterprise. If any useful part of the Enterprise shall be damaged or destroyed, such part shall be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair or rebuild such damaged or destroyed portion of the Enterprise, and to the extent not so applied, shall be applied on a pro rata basis to pay or redeem the Loan, the 2000 Certificates and any Parity Obligations in the manner provided in this Loan Agreement, in the 2000 Trust Agreement, and in the documents authorizing such Parity Obligations. The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Lender and the Assignee. Any insurance required to be maintained hereunder may be maintained by the City in the form of self-insurance or in the form of participation by the City in a program of pooled insurance.

SECTION 4.4. *Records and Accounts.* The City shall keep proper books of records and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection of the Lender.

The City shall cause the books and accounts of the Enterprise to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than 180 days after the close of each Fiscal Year, and shall furnish a copy of such report to the Lender or the Assignee. The audit of the accounts of the Enterprise may be included as part of a general City-wide audit.

SECTION 4.5. *Rates and Charges.*

(a) Covenant Regarding Gross Revenues. The City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the

Enterprise during each Fiscal Year which (together with existing unencumbered fund balances which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) All Operation and Maintenance Expenses estimated by the City to become due and payable in such Fiscal Year;
- (ii) The Loan Repayments, the Installment Payments and all principal of and interest and premium (if any) on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority;
- (iii) All payments coming due and payable during such Fiscal Year and required for compliance with this Loan Agreement, the 2000 Installment Sale Agreement and the documents authorizing any Parity Obligations; and
- (iv) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues during such Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues which, together with existing unencumbered fund balances which are lawfully available to the City in such Fiscal Year, are at least equal to 125% of the aggregate amount of Loan Repayments, Installment Payments and principal of and interest on any Parity Obligations coming due and payable during such Fiscal Year. If the amount of such existing unencumbered fund balances, excluding Net Revenues, falls below the amount of Maximum Annual Debt Service during any Fiscal Year, the City shall thereupon fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during such Fiscal Year which are sufficient to yield Net Revenues in such Fiscal Year (excluding connection charges) at least equal to 100% of the aggregate amount of Loan Repayments, Installment Payments and principal of and interest on any Parity Obligations coming due and payable during such Fiscal Year.

SECTION 4.6. *No Priority for Additional Obligations; Compliance With 2000 Trust Agreement.* The City may not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments. The City shall observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the 2000 Installment Sale Agreement and under the 2000 Trust Agreement. The City shall not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under and within the meaning of the 2000 Installment Sale Agreement or the 2000 Trust Agreement.

SECTION 4.7. *Issuance of Parity Obligations.* Except for obligations incurred to prepay or post a security deposit for the Loan in whole, the City may not issue or incur any Parity Obligations unless:

- (a) The City is not then in default under the terms of this Loan Agreement.
- (b) The Net Revenues (excluding connection charges), calculated in accordance with sound accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12 month period selected by the City, in either case verified by a certificate or opinion of an independent certified public accountant employed by the City, plus (at the option of the City) the Additional Revenues, at least equal 125% of the amount of Maximum Annual Debt Service; *provided, however,* that this subsection (b) does not apply to any issue of Parity Obligations the net proceeds of which are applied to refund the 2000 Certificates, the Loan or any Parity Obligations in whole or in part, so long as (i) the final maturity of such Parity Obligations does not exceed the final maturity of the obligations being refunded, and (ii) the aggregate amount of debt service on such Parity Obligations in each Fiscal Year does not exceed the amount of debt service which would otherwise come due and payable in such Fiscal Year on the obligations being refunded.

For purposes of the foregoing calculation of Net Revenues under this subsection (b), the City may add to such Net Revenues any or all of the following items:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such 12 month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer retained by the City.
 - (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such 12 month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12 month period, all as shown by the certificate or opinion of an independent certified public accountant employed by the City.
- (c) All conditions to the issuance of such Parity Obligations as set forth in the 2000 Trust Agreement must be met, and the City must file

with the Lender a written certificate to such effect, signed on behalf of the City by its authorized officer.

- (d) Notwithstanding the above, the City may incur debt payable from Net Revenues (i) to cause a defeasance of this Loan Agreement or (ii) which is payable on a basis which is junior to the payment of the Loan Repayments.

SECTION 4.9. *Assignment by the Lender.* The Lender's rights under this Loan Agreement, including the right to receive and enforce payment of the Loan Repayments to be made by the City under this Loan Agreement, have been assigned to the Assignee. The City hereby consents to such assignment. Whenever in this Loan Agreement any reference is made to the Lender and such reference concerns rights which the Lender has assigned to the Assignee, such reference shall be deemed to refer to the Assignee.

The Lender or the Assignee has the right to make additional assignments of its interests herein, but no such assignment will be effective as against the City unless and until the Lender or the Assignee files with the City written notice thereof. The City shall pay all Loan Repayments hereunder under the written direction of the Lender or the Assignee named in the most recent assignment or notice of assignment filed with the City. During the Term of this Loan Agreement, the City shall keep a complete and accurate record of all such notices of assignment.

SECTION 4.10. *Assignment by the City.* Neither the Loan nor this Loan Agreement may be assigned by the City, other than to a public agency which shall succeed to the interests of the City in and to the Enterprise and which (by operation of law, by contract or otherwise) becomes legally bound to all of the terms and provisions hereof.

SECTION 4.11. *Amendment of this Loan Agreement.* This Loan Agreement may be amended by the City and the Lender, but only with the prior written consent of the Assignee (which consent may not be unreasonably withheld).

SECTION 4.12. *Tax Covenants.*

(a) Generally. The City may not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Loan Repayments to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The City shall assure that the proceeds of the Loan are not so used as to cause the Loan to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The City may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Loan Repayments to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The City may not take, or permit or suffer to be taken, any action with respect to the proceeds of the Loan Repayments which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally

taken, on the Closing Date would have caused the Loan Repayments to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(e) Small Issuer Exemption from Bank Nondeductibility Restriction. The City hereby designates this Loan Agreement for purposes of paragraph (3) of Section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Loan Agreement, has been or will be issued by the City, including all subordinate entities of the City, during the calendar year 2002.

(f) Arbitrage Rebate. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Loan.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. *Events of Default Defined.* The following are Events of Default under this Loan Agreement:

- (a) Failure by the City to pay any Loan Repayment or other payment required hereunder within 15 days after the date on which such Loan Repayment or other payment becomes due; and the continuation of such failure for a period of 10 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Lender.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Lender; *provided, however,* if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30 day period, the Lender may not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such 30 day period and diligently pursued until the default is corrected.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition

applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

- (d) The occurrence of any event of default under and as defined in the 2000 Installment Sale Agreement.

SECTION 5.2. *Remedies on Default.* Upon the occurrence and during the continuation of an Event of Default, the Lender may, at its option and without any further demand or notice:

- (a) declare all principal components of the unpaid Loan Repayments, together with accrued interest thereon at the rate set forth in Section 3.4(c) from the immediately preceding Loan Repayment Date on which payment was made, to be immediately due and payable, whereupon the same will immediately become due and payable; and
- (b) take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments then due or thereafter to become due during the Term of this Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Loan Agreement.

The provisions of the preceding clause (a) are subject to the condition that if, at any time after the principal components of the unpaid Loan Repayments have been so declared due and payable under the preceding clause (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the City deposits with the Lender a sum sufficient to pay all principal components of the Loan Repayments coming due prior to such declaration and all matured interest components (if any) of the Loan Repayments, with interest on such overdue principal and interest components calculated at the rate set forth in Section 3.4(c), and a sum sufficient to pay all reasonable costs and expenses incurred by the Lender in the exercise of its rights and remedies hereunder, and any and all other defaults known to the Lender (other than in the payment of the principal and interest components of the Loan Repayments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Lender may, by written notice to the City, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 5.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Lender is exclusive, and every such remedy is cumulative and in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lender to exercise any remedy reserved to it in this Article V it is not necessary to give any notice, other than such notice as may be required in this Article V or by law.

SECTION 5.4. *Agreement to Pay Attorneys' Fees and Expenses.* In the event either party to this Loan Agreement defaults under any of the provisions hereof and the nondefaulting party employs attorneys (including in-house counsel) or incurs other

expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including those of in-house counsel) and such other expenses so incurred by the nondefaulting party.

SECTION 5.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Loan Agreement is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 5.6. *Assignee to Exercise Rights.* Such rights and remedies as are given to the Lender under this Article V have been assigned by the Lender to the Assignee and shall be exercised solely by the Assignee.

ARTICLE VI

PREPAYMENT OF LOAN

SECTION 6.1. *Optional Prepayment.* The City may, at its option prepay the unpaid principal components of the Loan on any Loan Repayment Date on or after November 30, 2007, in whole or in part among the remaining Loan Repayments on a pro rata basis, upon not less than 60 days prior written notice to the Lender, at a prepayment price equal to 100% of the principal amount of the Loan to be prepaid, plus accrued interest on the Loan to the prepayment date, plus a prepayment premium equal to 1.5% of the principal amount of the Loan to be prepaid. Upon the prepayment of the Loan in part but not in whole, the Lender shall provide the District with a revised schedule of Loan Repayments.

SECTION 6.2. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the unpaid principal balance of the Loan in whole on any date, or in part on any Loan Repayment Date, from and to the extent the City determines to apply any proceeds of insurance award or condemnation award with respect to the Enterprise for such purpose under Sections 4.2 or 4.3 at a price equal to the principal amount to be prepaid plus a prepayment premium equal to the amount which would apply to such prepayment if the City prepaid its obligations under Section 6.1 on such date. The City and the Lender hereby agree that such proceeds, to the extent remaining after payment of any delinquent Loan Repayments, shall be credited towards the City's obligations under this Section 6.2.

SECTION 6.3. *Security Deposit.* Notwithstanding any other provision of this Loan Agreement, the City may on any date secure the payment of Loan Repayments in whole or in part, by irrevocably depositing with a fiduciary an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Loan Repayments, including the principal and interest components thereof, when due under Section 3.4(a), or
- (b) invested in whole or in part in Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Loan

Repayments when due under Section 3.4(a) or, if such amounts are sufficient to prepay the Loan Repayments in full under Section 6.3, when due on any optional prepayment date under Section 6.1, as the City instructs at the time of the deposit.

In the event of a security deposit under this Section for the payment of all remaining Loan Repayments, all obligations of the City under this Loan Agreement, and the pledge of Net Revenues and all other security provided by this Loan Agreement for said obligations, will cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of Loan Repayments from such security deposit. Said security deposit will constitute a special fund for the payment of such Loan Repayments in accordance with the provisions of this Loan Agreement.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. *Notices.* Any notice, request, complaint, demand or other communication under this Loan Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopier or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Lender, the City or the Assignee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City:

CITY OF LAKEPORT
225 Park Street
Lakeport, California 95453
Attention: City Manager
Fax: (707) 263-8584

If to the Lender:

MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, California 91302
Attention: President
Fax: (818) 224-4789

If to the Assignee:

WESTAMERICA BANK

In the case of personal delivery:

Credit Administration Dept. (A-2D)
4550 Mangels Boulevard
Fairfield, California 94585-1200
Attention: Vice President, Credit Administration

In the case of postal delivery:

Credit Administration Dept. (A-2D)
P.O. Box 1200
Fairfield, California 94585-1200
Attention: Vice President, Credit Administration

SECTION 7.2. *Binding Effect.* This Loan Agreement inures to the benefit of and is binding upon the Lender and the City and their respective successors and assigns.

SECTION 7.3. *Severability.* In the event any provision of this Loan Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 7.4. *Net-net-net Contract.* This Loan Agreement is a "net-net-net" contract, and the City hereby agrees that the Loan Repayments are an absolute net return to the Lender, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 7.5. *Further Assurances and Corrective Instruments.* The Lender and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Loan Agreement.

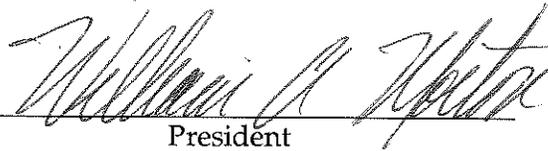
SECTION 7.6. *Execution in Counterparts.* This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.7. *Applicable Law.* This Loan Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.8. *Captions.* The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Loan Agreement.

IN WITNESS WHEREOF, the Lender has caused this Loan Agreement to be executed in its corporate name by its duly authorized officer and the City has caused this Loan Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

MUNICIPAL FINANCE CORPORATION,
as lender

By 
President

CITY OF LAKEPORT, as borrower

By _____
City Manager

Attest:

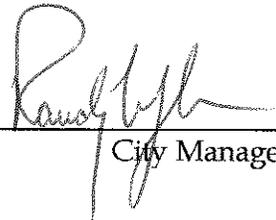
City Clerk

IN WITNESS WHEREOF, the Lender has caused this Loan Agreement to be executed in its corporate name by its duly authorized officer and the City has caused this Loan Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

MUNICIPAL FINANCE CORPORATION,
as lender

By _____
President

CITY OF LAKEPORT, as borrower

By  _____
City Manager

Attest:



Deputy City Clerk

APPENDIX A

SCHEDULE OF LOAN REPAYMENTS

<u>Loan Repayment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Loan Repayment</u>
11/30/02	\$18,834.08	\$22,276.22	\$41,110.30
5/30/03	19,314.40	21,795.95	41,110.35
11/30/03	19,806.92	21,303.43	41,110.35
5/30/04	20,311.99	20,798.36	41,110.35
11/30/04	20,829.95	20,280.40	41,110.35
5/30/05	21,361.11	19,749.24	41,110.35
11/30/05	21,905.82	19,204.53	41,110.35
5/30/06	22,464.42	18,645.93	41,110.35
11/30/06	23,037.26	18,073.09	41,110.35
5/30/07	23,624.71	17,485.64	41,110.35
11/30/07	24,227.14	16,883.21	41,110.35
5/30/08	24,844.94	16,265.41	41,110.35
11/30/08	25,478.48	15,631.87	41,110.35
5/30/09	26,128.18	14,982.17	41,110.35
11/30/09	26,794.45	14,315.90	41,110.35
5/30/10	27,477.71	13,632.64	41,110.35
11/30/10	28,178.39	12,931.96	41,110.35
5/30/11	28,896.94	12,213.41	41,110.35
11/30/11	29,633.81	11,476.54	41,110.35
5/30/12	30,389.47	10,720.88	41,110.35
11/30/12	31,164.41	9,945.94	41,110.35
5/30/13	31,959.10	9,151.25	41,110.35
11/30/13	32,774.06	8,336.29	41,110.35
5/30/14	33,609.79	7,500.56	41,110.35
11/30/14	34,466.84	6,643.51	41,110.35
5/30/15	35,345.75	5,764.60	41,110.35
11/30/15	36,247.07	4,863.29	41,110.35
5/30/16	37,171.37	3,938.98	41,110.35
11/30/16	38,119.24	2,991.11	41,110.35
5/30/17	39,091.28	2,019.07	41,110.35
11/30/17	40,088.10	1,022.25	41,110.35
TOTALS:	\$873,577.18	\$400,843.60	\$1,274,420.78

ASSIGNMENT OF LOAN AGREEMENT

FOR VALUE RECEIVED, MUNICIPAL FINANCE CORPORATION (the "Corporation") without recourse does hereby sell, assign and transfer to WESTAMERICA BANK (the "Assignee") and its successors and assigns (i) all of its rights, title and interest in and to the Loan Agreement dated as of May 30, 2002, between the Corporation as lender and the CITY OF LAKEPORT (the "City") as borrower (hereinafter said loan agreement and any supplements, amendments, annexations, extensions or renewals thereof is referred to as the "Loan Agreement") and (ii) all moneys, sums and amounts now due or hereinafter to become due under the Loan Agreement. The Loan Agreement delivered to the Assignee is a duly executed duplicate original that comprises the entire writing, obligation and agreement between Corporation and City respecting the loan made thereunder and payment therefor.

The Corporation represents and warrants as follows:

- (1) it has made no prior sale or assignment of any interest covered hereby;
- (2) that the Loan Agreement is genuine and in all respects is what it purports to be; and
- (3) that Assignee is not liable for and does not assume responsibility for the performance of any of the covenants, agreements or obligations specified in the Loan Agreement to be kept, paid or performed by Corporation with exception of Assignee's obligation to issue notices upon City's default of the Loan Agreement.

The Corporation further represents and warrants that as of the date of this Assignment, the Loan Agreement is in full force and effect and the City is not in default of any of the terms set forth therein.

This Assignment shall be construed and governed in accordance with the laws of the State of California. Any provision of this Assignment found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Assignment.

This Assignment binds and inures to the benefit of the parties and their respective successors and assigns and is made in accordance with that certain Municipal Lease Placement Agreement dated as of January 1, 1999 by and between the Corporation and the Assignee. In the event of litigation between the Corporation and the Assignee arising under this Assignment, the prevailing party shall be entitled to recover from the other party all costs and expenses, including attorneys' fees which may be those of in-house counsel, incurred by the prevailing party in exercising

any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions of this Assignment.

Dated: May 30, 2002

MUNICIPAL FINANCE
CORPORATION, as lender

By 
President

ACCEPTANCE OF ASSIGNMENT:

WESTAMERICA BANK

By _____
Authorized Officer

any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions of this Assignment.

Dated: May 30, 2002

MUNICIPAL FINANCE
CORPORATION, as lender

By _____
President

ACCEPTANCE OF ASSIGNMENT:

WESTAMERICA BANK

By *Donald Madem*
Authorized Officer

IRREVOCABLE REFUNDING INSTRUCTIONS

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), are dated May 30, 2002, and are given by the CITY OF LAKEPORT, a municipal corporation and general law city organized and existing under the laws of the State of California (the "City"), to U.S. BANK, N.A., a national banking association, acting as trustee for the 1993 Bonds described below (the "Trustee").

BACKGROUND:

1. California Statewide Communities Development Authority ("CSCDA") has previously issued its California Statewide Communities Development Authority Water Revenue Refunding Bonds, Senior Series 1993A and Subordinate Series 1993B (the "1993 Bonds") under an Indenture dated as of June 1, 1993 (the "1993 Bond Indenture"), between CSCDA and First Trust of California, National Association, as trustee, for the purpose of enabling CSCDA to make loans to various California public entities.

2. The City entered into a Loan (the "1993 Loan") with CSCDA for the purpose of refinancing certain facilities and improvements to the City's domestic water supply system, pursuant to a Loan Agreement dated as of June 1, 1993 (the "1993 Loan Agreement"), between the City and CSCDA.

3. The 1993 Loan is subject to prepayment on June 1, 2003, and in order to raise funds to prepay the 1993 Loan, Municipal Finance Corporation (the "Lender") has made a loan to the City in the aggregate principal amount of \$873,577.18 (the "Loan") under a Loan Agreement dated May 30, 2002 (the "Loan Agreement").

4. The Trustee currently serves as trustee for the 1993 Bonds and as assignee of CSCDA's right to receive Loan Payments under the 1993 Loan Agreement.

5. The City wishes to give these Instructions to the Trustee for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment of the Loan Payments due under the 1993 Loan Agreement on June 1, 2002 and December 1, 2002, and the prepayment in full of the principal, interest and prepayment premium on the 1993 Loan on June 1, 2003.

INSTRUCTIONS:

In order to provide for the prepayment of the 1993 Loan and to discharge the obligations represented thereby, the City hereby irrevocably directs the Trustee as follows:

SECTION 1. *Definition of Federal Securities.* As used herein, the term "Federal Securities" means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are guaranteed by the United States of America.

SECTION 2. *Establishment of Escrow Fund.* The Trustee is directed to establish an escrow fund (the "Escrow Fund") to be held by the Trustee in trust as an irrevocable escrow securing the payment of the 1993 Loan as hereinafter set forth. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the prepayment of the 1993 Loan in accordance with the 1993 Loan Agreement. If at any time the Trustee receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4, the Trustee shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Trustee has no liability for any such insufficiency.

SECTION 3. *Deposit into Escrow Fund.* On the date hereof, the City shall cause to be transferred to the Trustee for deposit into the Escrow Fund the amount of \$906,756.77 in immediately available funds, to be derived as follows:

- (a) from the proceeds of the Loan the amount of \$863,577.18; and
- (b) from the City, the amount of \$43,179.59, representing the 1993 Loan payment due June 1, 2002.

SECTION 4. *Investment and Application of Amounts.* The Trustee shall invest \$863,577.00 of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the Federal Securities described below, and shall hold the remaining \$43,179.77 in cash uninvested. The Federal Securities and cash shall be deposited and held by the Trustee in the Escrow Fund solely for the uses and purposes set forth herein. The Trustee shall have no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

<u>Type of Security*</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Total Purchase Price</u>
Certificate of Indebtedness	12/01/02	\$ 33,554	1.83%	\$ 33,554.00
Note	6/01/03	830,023	2.22	830,023.00
TOTAL PURCHASE PRICE:				\$863,577.00

* All securities consist of United States Government Securities - State and Local Government Securities, of the type indicated.

The Trustee shall apply the cash and securities held in the Escrow Fund for the sole purpose of paying the 1993 Loan, at the times and in the amounts set forth below:

<u>Payment Date</u>	<u>Interest</u>	<u>Maturing Principal</u>	<u>Principal to be Redeemed</u>	<u>Prepayment Premium</u>	<u>Total Payment</u>
6/1/02	\$29,093.27	\$14,086.32	\$ 0.00	\$ 0.00	\$ 43,179.59
12/1/02	28,591.44	14,588.15	0.00	0.00	43,179.59
6/1/03	28,071.74	15,107.85	772,870.76	23,186.12	839,236.47

Following prepayment of the 1993 Loan in full on June 1, 2003, the Trustee shall withdraw all amounts remaining on deposit in the Escrow Fund and transfer those amounts to the City to be applied for any lawful purpose of the City.

SECTION 5. *Proceedings for Prepayment of 1993 Loan.* The City hereby irrevocably elects to prepay the 1993 Loan under Section 2.02(b) of the 1993 Loan Agreement. The Trustee shall give notice of the prepayment of the 1993 Loan to CSCDA and notice of redemption of the corresponding portion of the 1993 Bonds to the owners thereof in accordance with 1993 Indenture, at the expense of the City.

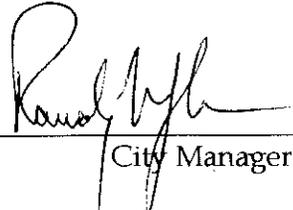
SECTION 6. *Application of Certain Terms of 1993 Loan Agreement.* All of the terms of the 1993 Loan Agreement relating to the prepayment of the 1993 Loan, and the protections, immunities and limitations from liability afforded the Trustee, as trustee for the 1993 Bonds, are incorporated in these Instructions as if set forth in full herein.

SECTION 7. *Compensation to Trustee.* The City shall pay the Trustee full compensation for its services under these Instructions, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Trustee has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 8. *Effect of These Instructions.* As a result of the deposit and application of funds in accordance with these Instructions, the 1993 Loan shall be discharged under and with the effect set forth in Section 6.03 of the 1993 Loan Agreement.

Date: May 30, 2002

CITY OF LAKEPORT

By  _____
City Manager

SECTION 5. *Proceedings for Prepayment of 1993 Loan.* The City hereby irrevocably elects to prepay the 1993 Loan under Section 2.02(b) of the 1993 Loan Agreement. The Trustee shall give notice of the prepayment of the 1993 Loan to CSCDA and notice of redemption of the corresponding portion of the 1993 Bonds to the owners thereof in accordance with 1993 Indenture, at the expense of the City.

SECTION 6. *Application of Certain Terms of 1993 Loan Agreement.* All of the terms of the 1993 Loan Agreement relating to the prepayment of the 1993 Loan, and the protections, immunities and limitations from liability afforded the Trustee, as trustee for the 1993 Bonds, are incorporated in these Instructions as if set forth in full herein.

SECTION 7. *Compensation to Trustee.* The City shall pay the Trustee full compensation for its services under these Instructions, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Trustee has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 8. *Effect of These Instructions.* As a result of the deposit and application of funds in accordance with these Instructions, the 1993 Loan shall be discharged under and with the effect set forth in Section 6.03 of the 1993 Loan Agreement.

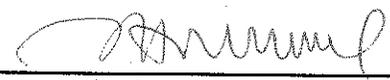
Date: May 30, 2002

CITY OF LAKEPORT

By _____
City Manager

ACCEPTED:

U.S. BANK, N.A., as Trustee

By  _____
Authorized Officer

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

OFFICER'S CERTIFICATE

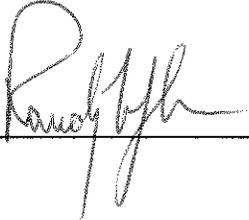
The undersigned hereby states and certifies:

(i) that the undersigned is the duly elected or appointed, qualified and acting City Manager of the City of Lakeport, a municipal corporation and general law city duly organized and existing under the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that the following are now and have continuously been since the dates of the beginning of their respective current terms of office shown below, the duly elected, qualified and acting members of the City Council of the City, and the dates of the beginning and ending of their respective current terms of office are hereunder correctly designated opposite their names:

<u>Members</u>	<u>Beginning of Current Term</u>	<u>Ending of Current Term</u>
Richard E. Lamkin	April, 2000	April, 2004
Willis Bruns	April, 2000	April, 2004
Robert Rumfelt	April, 2000	April, 2004
William Knoll	April, 1998	April, 2002
Shirleen DeRezendes	April, 1998	April, 2002

(iii) that the signatures set forth opposite the names and titles of the following persons are the genuine signatures of such persons, each of whom holds the office designated below:

<u>Name and Title</u>	<u>Signature</u>
Randy L. Johnsen, City Manager	 _____
Barbara Sarao, Deputy City Clerk	 _____

(iv) that on May 8, 2002, the City duly adopted Resolution No. 2105 (2002) entitled "A Resolution of the City Council of the City of Lakeport Authorizing the Borrowing of Funds from Municipal Finance Corporation to Refinance the Outstanding 1993 Loan, and Approving Related Documents" (the "Resolution"), which Resolution is in full force and effect and has not been amended, modified, supplemented or rescinded as of the date hereof;

(v) that, by all necessary action, the City has duly authorized and approved the execution and delivery, and the performance by the City of the obligations on its part contained in the Loan Agreement, dated as of May 30, 2002 between the City and Municipal Finance Corporation, as lender (the "Agreement");

(vi) that to the best knowledge of the undersigned, no litigation is pending or threatened (either in state or federal courts) to restrain or enjoin the execution or delivery of the Agreement, in any way contesting or affecting the authority for the execution and delivery of the Agreement or the validity of the Agreement, or in any way contesting the corporate existence or powers of the City or the title of the officers thereof to their respective offices;

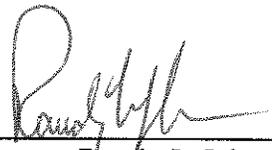
(vii) that the federal Employer identification number of the City is 94-6001434; and

(viii) that for the calendar year 2002, and including the Information Return for Tax-Exempt Governmental Obligations, Form 8038-G, filed with the Internal Revenue Service for the Loan, the City has filed one (1) Information Return Form 8038-G with the Internal Revenue Service, Ogden, Utah 84201.

Dated: May 30, 2002

CITY OF LAKEPORT

By: _____



Randy L. Johnsen,
City Manager

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE REGARDING RESERVE FUND DEPOSIT

The undersigned hereby states and certifies:

(i) that the undersigned is the duly elected or appointed, qualified and acting City Manager of the City of Lakeport, a municipal corporation and general law city duly organized and existing under the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

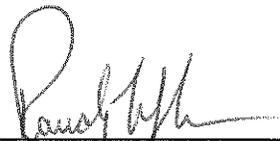
(ii) that the City has entered into a Loan Agreement dated as of the date hereof (the "Loan Agreement") with Municipal Finance Corporation (the "Lender"), under which the City has borrowed the amount of \$873,577.18 from the Lender for the purpose of refinancing outstanding obligations of the City relating to the water enterprise of the City;

(iii) that under Section 3.7 of the Loan Agreement, the City is required to deposit the amount of \$82,220.70 into a Reserve Fund which has been established by the City in trust for the benefit of the Lender; and

(vi) that the undersigned hereby represents and warrants that the Reserve Fund has been established by the City, and that the City has caused to be deposited therein an amount which is at least equal to \$82,220.70, and that such amount constitutes the full amount of the Reserve Requirement under and as defined in the Loan Agreement.

Dated: May 30, 2002

CITY OF LAKEPORT

By: 

Randy L. Johnsen,
City Manager

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE REGARDING USE OF PROCEEDS

The undersigned hereby states and certifies as follows:

(i) that the undersigned is the City Manager of the City of Lakeport (the "City"), and is authorized to execute this certificate on behalf of the City and is knowledgeable with respect to the matters set forth herein;

(ii) that on the date hereof, the City has entered into a Loan Agreement, dated as of May 30, 2002 (the "Loan Agreement"), by and between Municipal Finance Corporation, as lender (the "Lender"), and the City, under the terms of which the Lender is loaning the amount of \$873,577.18 to the City (the "Loan");

(iii) that, on the date hereof, the Lender will deliver the net proceeds of the Loan to U.S. Bank, N.A., as trustee (the "Trustee"), under the Irrevocable Refunding Instructions (the "Refunding Instructions"), dated May 30, 2002, by the City to the Trustee, for deposit into the Escrow Fund established pursuant to the Refunding Instructions, to be used for the payment of the Loan Payments due under the Loan Agreement, dated as of June 1, 1993, entered into by the City with CSCDA (the "1993 Loan Agreement"), on June 1, 2002 and December 1, 2002, and the prepayment in full of the principal, interest and prepayment premium on the 1993 Loan, on June 1, 2003 (the "1993 Loan");

(iv) that a portion of the proceeds of the 1993 Loan was used to refinance on a current basis certain facilities and improvements (the "1993 Project"), as more particularly described in Part I of Exhibit A hereto attached and by this reference herein incorporated;

(v) that Part II of Exhibit A hereto attached describes (A) each use to be made by any person of the 1993 Project, other than use by the City and other non-federal governmental units and other than use by members of the public generally, and (B) payments (if any) directly or indirectly in respect of such use which are to be made after the date hereof;

(vi) that the above statements are made on the basis of the facts, estimates and circumstances in existence on the date hereof and the undersigned has exercised due diligence to assure that all material facts, estimates and circumstances relating to the above statements were made available to the undersigned and reviewed by the undersigned;

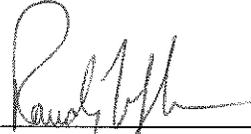
(vii) that to the best knowledge of the undersigned the above statements are reasonable and there are no other facts, estimates or circumstances, other than those set forth herein, that would materially affect the statements made herein; and

(viii) that the undersigned is aware that Jones Hall, A Professional Law Corporation, is rendering an opinion on the date hereof substantially to the effect that the interest on the Loan is excluded from gross income for federal income tax purposes and in rendering such opinion is relying upon the statements made herein and in Exhibit A hereto attached.

Dated: May 30, 2002

CITY OF LAKEPORT

By: _____



Randy L. Johnsen,
City Manager

EXHIBIT A

I. Description of Prior Project

The proceeds of the 1993 Loan were used to refinance on a current basis a loan made to the City on January 20, 1981 by the State of California Department of Water Resources under the Safe Drinking Water Bond Law of 1976 (the "Prior Loan"). The proceeds of the Prior Loan have been fully expended as of the date hereof. The facilities financed with the proceeds of the Prior Loan included treatment and distribution facilities for the City's domestic water supply and sewer system and were acquired and constructed for the governmental purposes of the City. No more than 10% of the proceeds of the Prior Loan and no more than 10% of the facilities financed with the Prior Loan have been used in the trade or business of any nongovernmental persons (other than in their roles as members of the general public). The City did not loan any of the proceeds of the Prior Loan to any nongovernmental person.

II. Description of Use of Prior Project

A. Use by any Person Other than Governmental Units or Members of Public Generally

None.

B. Payments to be Made after Date Hereof in Respect of Above Use

None.

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE REGARDING PARITY DEBT

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting City Manager of the City of Lakeport, a municipal corporation and general law city organized and existing under the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that, on the date hereof, the City has authorized and executed a Loan Agreement dated as of May 30, 2002 (the "Loan Agreement"), by and between Municipal Finance Corporation, as lender (the "Lender") and the City for a loan in the amount of \$916,000.00 (the "Parity Debt");

(iii) that the City has previously entered into an Installment Sale Agreement, dated as of August 15, 2000 (the "2000 Installment Sale Agreement") with the Lakeport Public Financing Authority (the "Authority") in connection with the issuance of Certificates of Participation, City of Lakeport (1998 Water Project - Series 2000) (the "Certificates"), under which the City agreed to make installment payments to the Authority in order to purchase certain improvements to certain facilities for the domestic water supply system of the City (the "Enterprise") (the "Installment Payments"), which Installment Payments are secured by a pledge of and lien on the net revenues of the Enterprise, and the City intends to secure its obligations to the Lender on a parity with the pledge and lien which secures the Installment Payments;

(iv) that the City is not in default under the terms of the 2000 Installment Sale Agreement;

(v) that Net Revenues have amounted to at least 1.25 times the sum of the maximum Installment Payments coming due and payable in the current Fiscal Year and the maximum annual debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations;

(vi) that a reserve fund has been funded for the Parity Debt which is at least equal to the amount resulting from the application on the date hereof of the Parity Debt of the formula contained in the definition of "Reserve Requirement" contained in the 2000 Installment Sale Agreement; and

(vii) that the written consent of the Certificate Owners of all Outstanding Certificates has been obtained.

Capitalized terms used herein and not otherwise defined shall have the same meanings ascribed to them in the 2000 Installment Sale Agreement.

Dated: May 30, 2002

CITY OF LAKEPORT

By: 
Randy L. Johnsen,
City Manager

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

1993 BOND TRUSTEE'S RECEIPT

The undersigned hereby states and certifies:

(i) that the undersigned is an authorized officer of U.S. Bank, N.A. (as successor trustee to First Trust of California, National Association), acting as trustee (the "1993 Bond Trustee") for the California Statewide Communities Development Authority Water Revenue Refunding Bonds, Senior Series 1993A and Subordinate Series 1993B (the "1993 Bonds"), which have been issued under an Indenture of Trust, dated as of June 1, 1993 (the "1993 Indenture"), between California Statewide Communities Development Authority ("CSCDA") and the 1993 Bond Trustee, and as such, the undersigned is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that the 1993 Bond Trustee has received Irrevocable Refunding Instructions dated the date hereof (the "Refunding Instructions") from the City of Lakeport (the "City"), relating to the establishment and investment of funds for the payment of Loan Payments due under the Loan Agreement, dated as of June 1, 1993, between CSCDA and the City, on June 1, 2002 and December 1, 2002, and the prepayment in full of the principal, interest and prepayment premium on the 1993 Loan, on June 1, 2003;

(iii) that the 1993 Bond Trustee has established the escrow fund created pursuant to Section 2 of the Refunding Instructions (the "Escrow Fund"), and on the date hereof the 1993 Bond Trustee has received and deposited into the Escrow Fund on the date hereof the total sum of \$906,756.77 in immediately available funds, derived from the sources and in the amounts set forth in Section 3 of the Refunding Instructions;

(iv) that, pursuant to Section 4 of the Refunding Instructions, the 1993 Bond Trustee has invested on the date hereof the amount of \$863,577.00 deposited into the Escrow Fund in the Federal Securities described therein, and has retained the amount \$43,179.77 uninvested in cash; and

(v) that in accordance with Section 5 of the Refunding Instructions, the 1993 Bond Trustee will give notice of the prepayment of the 1993 Loan to CSCDA and notice of redemption of the corresponding portion of the 1993 Bonds to the owners thereof in accordance with the 1993 Indenture.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Refunding Instructions.

Dated: May 30, 2002

U.S. BANK, N.A.,
as 1993 Bond Trustee

By: _____



Authorized Officer

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE OF 1993 BOND TRUSTEE

The undersigned hereby states and certifies:

(i) that the undersigned is an authorized officer of U.S. Bank, N.A. (as successor trustee to First Trust of California, National Association), acting as trustee (the "1993 Bond Trustee") for the California Statewide Communities Development Authority Water Revenue Refunding Bonds, Senior Series 1993A and Subordinate Series 1993B (the "1993 Bonds"), which have been issued under an Indenture of Trust dated as of June 1, 1993, between California Statewide Communities Development Authority ("CSCDA") and the 1993 Trustee, and as such, the undersigned is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that the 1993 Bond Trustee has received and hereby accepts all duties imposed on it under the Irrevocable Refunding Instructions dated the date hereof (the "Refunding Instructions") from the City of Lakeport (the "City"), relating to the establishment and investment of funds for the payment of the Loan Payments due under the Loan Agreement, dated as of June 1, 1993, between CSCDA and the City, on June 1, 2002 and December 1, 2002 and the prepayment in full of the principal, interest and prepayment premium on the 1993 Loan, on June 1, 2003;

(iii) that the 1993 Bond Trustee is a national banking association organized and duly existing under the laws of the United State of America, having the full power and authority to enter into and perform its duties under the Refunding Instructions;

(iv) that the 1993 Bond Trustee has accepted the obligations imposed on it under the Refunding Instructions, and such obligations are legally valid and binding upon the 1993 Bond Trustee; and

(v) that, to the best knowledge of the 1993 Bond Trustee, there is no litigation pending or threatened in any way contesting or affecting the existence or powers of the 1993 Bond Trustee or the 1993 Bond Trustee's ability to fulfill its duties created by the Refunding Instructions.

Capitalized terms used herein and not otherwise defined shall have the same meanings as assigned to them in the Refunding Instructions.

Dated: May 30, 2002

U.S. BANK, N.A.,
as 1993 Bond Trustee

By: _____



Authorized Officer

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

RECEIPT OF PROCEEDS FOR COSTS OF ISSUANCE

The undersigned hereby states and certifies:

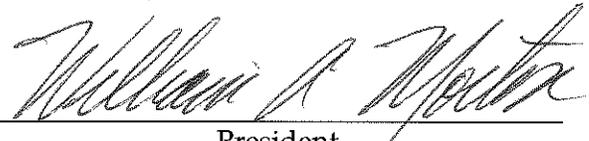
(i) that the undersigned is an authorized officer of Municipal Finance Corporation, a corporation duly organized and existing under the laws of the State of California (the "Corporation"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same; and

(ii) that pursuant to Section 3.2 of the Loan Agreement, dated as of May 30, 2002 (the "Loan Agreement"), between the City of Lakeport and the Corporation, the Corporation received this date from the WestAmerica Bank the sum of \$10,000.00 representing a portion of the proceeds of the loan made under the Loan Agreement, which amount will be used to pay costs incurred in connection with the making of the loan, and which amount will be deemed spent in full on the date hereof.

Dated: May 30, 2002

MUNICIPAL FINANCE CORPORATION,
as lender

By: _____



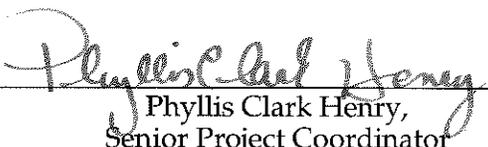
President

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE OF MAILING FORM 8038-G

I, Phyllis Clark Henry, Senior Project Coordinator of Jones Hall, A Professional Law Corporation, hereby state and certify that for and on behalf of the City of Lakeport and on the date hereof, I caused to be mailed by first class certified mail, return receipt requested, postage prepaid, an Information Return for Tax-Exempt Governmental Obligations Form 8038-G relating to the captioned financing to the Internal Revenue Service Center, Ogden, Utah 84201, a true copy of which Form 8038-G is hereto attached.

Dated: June 28, 2002



Phyllis Clark Henry,
Senior Project Coordinator
Jones Hall,
A Professional Law Corporation

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name City of Lakeport	2 Issuer's employer identification number 94:6001434		
3 Number and street (or P.O. box if mail is not delivered to street address) 225 Park St.	Room/suite	4 Report number 3 2002-01	
5 City, town, or post office, state, and ZIP code Lakeport, CA 95453	6 Date of issue 5/30/2002		
7 Name of issue 2002 Refunding Loan	8 CUSIP number N/A		
9 Name and title of officer or legal representative whom the IRS may call for more information Randy L. Johnsen, City Manager	10 Telephone number of officer or legal representative (707) 263-5682		

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input checked="" type="checkbox"/> Environment (including sewage bonds)	15 873,577.18
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligation are BANs check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	11/30/17	\$ 873,577.18	\$ 873,577.18	8.9971192 years	5.100 %

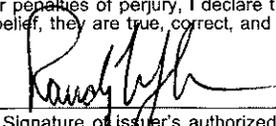
Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest		22	0.00
23	Issue price of entire issue (enter amount from line 21, column (b))		23	873,577.18
24	Proceeds used for bond issuance costs (including underwriters' discount)	24 10,000.00		
25	Proceeds used for credit enhancement	25 0.00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26 0.00		
27	Proceeds used to currently refund prior issues	27 0.00		
28	Proceeds used to advance refund prior issues	28 863,577.18		
29	Total (add lines 24 through 28)		29	873,577.18
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30	0.00

Part V Description of Refunded Bonds (Complete part only for refunding bonds.)		
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	years
33	Enter the last date on which the refunded bonds will be called	6/1/2003
34	Enter the date(s) the refunded bonds were issued	8/2/93

Part VI Miscellaneous		
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a
b	Enter the final maturity date of the guaranteed investment contract	
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer	
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>	
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>	
40	If the issuer has identified a hedge, check box <input type="checkbox"/>	

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

 Randy L. Johnsen, City Manager

Signature of issuer's authorized representative Date Type or print name and title

JONES HALL

A PROFESSIONAL LAW CORPORATION

ATTORNEYS AT LAW

CHARLES F. ADAMS
STEPHEN R. CASALEGGIO
THOMAS A. DOWNEY
DAVID T. FAMA
SCOTT R. FERGUSON
ANDREW C. HALL, JR.
COURTNEY L. JONES
WILLIAM J. KADI
WILLIAM H. MADISON
STEPHEN G. MELIKIAN
DAVID J. OSTER
DAVID A. WALTON
JULIE A. WUNDERLICH

650 CALIFORNIA STREET
EIGHTEENTH FLOOR
SAN FRANCISCO, CA 94108

TELEPHONE
(415) 391-5780
FACSIMILE
(415) 391-5784

May 30, 2002

KENNETH I. JONES, RETIRED

HOME PAGE: <http://www.joneshall.com>

City of Lakeport
225 Park Street
Lakeport, California 95453

Municipal Finance Corporation
23945 Calabasas Rd., Suite 103
Calabasas, California 91302

Westamerica Bank
4550 Mangle Blvd.
Fairfield, California 94585

OPINION: \$873,577.18 aggregate principal amount of Loan Repayment Obligations of the City of Lakeport under a Loan Agreement dated as of May 30, 2002, between the City of Lakeport and Municipal Finance Corporation

Ladies and Gentlemen:

We have acted as special counsel to the City of Lakeport, California (the "City"), in connection with the execution and delivery by the City of a Loan Agreement dated as of May 30, 2002 (the "Loan Agreement") between the City and Municipal Finance Corporation (the "Corporation"). Certain rights of the Corporation under the Loan Agreement have been assigned to Westamerica Bank as assignee (the "Assignee") under an Assignment of Loan Agreement (the "Assignment") between the Corporation and the Assignee. The proceeds of the Loan Agreement have been deposited with U.S. Bank, N.A., as trustee (the "Trustee") for the California Statewide Communities Development Authority Water Revenue Refunding Bonds, Senior Series 1993A and Subordinate Series 1993B (the "1993 Bonds"), to be held and administered in accordance with the Irrevocable Refunding Instructions dated May 30, 2002 (the "Refunding Instructions"), given by the City to the Trustee for the purpose of paying and prepaying the City's obligations under a Loan Agreement between the City and CSCDA dated as of June 1, 1993 (the "1993 Loan Agreement"), and thereby paying and redeeming a corresponding portion of the 1993 Bonds.

We have examined the executed Loan Agreement and Assignment, the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Loan Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a municipal corporation and general law city duly organized and validly existing under the laws of the State of California, with the full power to enter into the Loan Agreement and to perform the agreements on its part contained therein.

2. The Loan Agreement has been duly approved by the City Council of the City and constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

3. The portion of the Loan Repayments payable under and as defined in the Loan Agreement, which portion is designated as and comprises interest and which is received by the Assignee, is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The Loan Agreement represents "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to the portion of the Loan Repayments designated as and comprising interest. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Loan Agreement in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Loan Agreement to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Loan Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Loan Agreement.

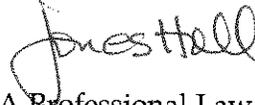
4. The portion of the Loan Repayments payable under and as defined in the Loan Agreement, which portion is designated as and comprises interest and which is received by the Assignee, is exempt from personal income taxation imposed by the State of California.

5. As a result of the deposit of funds with the Trustee under the Refunding Instructions, the obligations of the City under the 1993 Loan Agreement have been fully paid and discharged in accordance with, and with the effect set forth in, Section 6.03 of the 1993 Loan Agreement. As a result of such deposit, the pledge of the revenues and

other funds provided for in the 1993 Loan Agreement, and all other pecuniary obligations of the City under the 1993 Loan Agreement, has ceased and terminated, except only the obligation of the City to pay or cause to be paid amounts due under the 1993 Loan Agreement from amounts set aside for such purpose with the Trustee as provided in the Refunding Instructions.

The rights of the Assignee and the enforceability of the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,



A Professional Law Corporation

REPORT OF PROPOSED DEBT ISSUANCE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440

6/28
CDIAC

For Office Use Only
CDIAC NO.: _____
2002-1362

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.

ISSUER NAME: CITY OF LAKEPORT

(If pool bond, list participants)
ISSUE NAME: 2002 Refunding Loan

Please specify type/name of project: refunding outstanding 1993 CSCDA Loan

PROPOSED SALE DATE: 5/30/2002 PRINCIPAL TO BE SOLD: \$ 915,000.00

IS ANY PORTION OF THE DEBT FOR REFUNDING?²
 No Yes, proposed amount for refunding \$ 915,000.00

Issuer Contact:
Name: Randy L. Johnsen
Title: City Manager
Address: 225 Park St. Lakeport, CA 95453
Phone: (707) 263-5615 Issuer Located In Lake County

Filing Contact: Name of Individual (representing: Bond Counsel, Issuer, Financial Advisor, or Lead Underwriter) who completed this form and may be contacted for information:
Name: Charles F. Adams, Esq.
Firm/Agency: Jones Hall, A Professional Law Corporation
Address: 650 California Street, 18th Floor San Francisco, CA 94108
Phone: (415) 391-5780 Ext 222 E-Mail: cadams@joneshall.com
Send acknowledgement/copies to: Lorraine Joskowitz

FINANCING PARTICIPANTS:
BOND COUNSEL: Jones Hall, A Professional Law Corporation
FINANCIAL ADVISOR: _____
UNDERWRITER/PURCHASER: Westamerica Bank

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?
Under State Law: NO (taxable) YES (tax-exempt)
Under Federal Law: NO (taxable) YES (tax-exempt) If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?
 Yes, preference item No, not a preference item

TYPE OF SALE: Competitive Negotiated

¹ Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

² Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

\$873,577.18
CITY OF LAKEPORT
2002 REFUNDING LOAN

CERTIFICATE OF MAILING TO CDIAAC

I, Phyllis Clark Henry, of Jones Hall, A Professional Law Corporation, hereby certify that for and on behalf of the City of Lakeport and on the date hereof, I caused to be mailed a Report of Final Sale pertaining to the captioned financing, by first class mail, postage prepaid, to the California Debt and Investment Advisory Commission at P.O. Box 942809, Sacramento, California 94209-0001, a true copy of which Report is hereto attached.

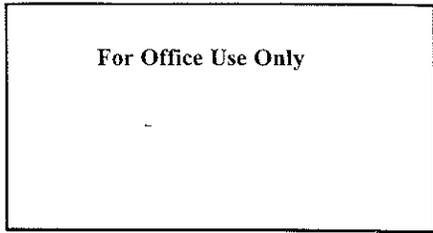
Dated: June 28, 2002



Phyllis Clark Henry,
Senior Project Coordinator
Jones Hall,
A Professional Law Corporation

REPORT OF FINAL SALE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440



CDIAC#: 2002-1362

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

ISSUER NAME: City of Lakeport

(If pool bond, list participants)

ISSUE NAME: 2002 Refunding Loan

IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?

- 1) Marks-Roos Local Bond Pooling Act 2) JPA Law 3) Installment Sales Agreement, Lease... 4) Housing Revenue Bond Law & Industrial Development Bond Law 5) Other

WILL A VALIDATION ACTION BE PURSUED: No Yes Unknown

ACTUAL SALE DATE: May 30, 2002 PRINCIPAL SOLD: \$ 873,577.18

IS ANY PORTION OF THE DEBT FOR REFUNDING?¹

No Yes, refunding amount (including costs) \$ 873,577.18

Issuer Contact:

Name: Randy L. Johnsen

Title: City Manager

Address: 225 Park St. Lakeport, CA 95453

Phone: (707) 263-5615 ISSUER LOCATED IN Lake COUNTY

Filing Contact: Name of individual (representing: Bond Counsel, Issuer, Financial Advisor, or Lead Underwriter) who completed this form and may be contacted for information:

Name: Charles F. Adams, Esq.

Firm/Agency: Jones Hall, A Professional Law Corporation

Address: 650 California Street, 18th Floor San Francisco, CA 94108

Phone: (415) 391-5780 Ext 222 E-Mail: cadams@joneshall.com

Send acknowledgement/copies to: Lorraine Joskowitz

Name of individual to whom an invoice for the CDIAC issue fee should be sent:²

Name: William A. Morton

Firm: Municipal Finance Corporation

Address: 23945 Calabasas Road, Suite 103, Calabasas, CA 91302

Phone: (818) 224-4787

¹ Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.

This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.

APPENDIX A

SCHEDULE OF LOAN REPAYMENTS

<u>Loan Repayment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Loan Repayment</u>
11/30/02	\$18,834.08	\$22,276.22	\$41,110.30
5/30/03	19,314.40	21,795.95	41,110.35
11/30/03	19,806.92	21,303.43	41,110.35
5/30/04	20,311.99	20,798.36	41,110.35
11/30/04	20,829.95	20,280.40	41,110.35
5/30/05	21,361.11	19,749.24	41,110.35
11/30/05	21,905.82	19,204.53	41,110.35
5/30/06	22,464.42	18,645.93	41,110.35
11/30/06	23,037.26	18,073.09	41,110.35
5/30/07	23,624.71	17,485.64	41,110.35
11/30/07	24,227.14	16,883.21	41,110.35
5/30/08	24,844.94	16,265.41	41,110.35
11/30/08	25,478.48	15,631.87	41,110.35
5/30/09	26,128.18	14,982.17	41,110.35
11/30/09	26,794.45	14,315.90	41,110.35
5/30/10	27,477.71	13,632.64	41,110.35
11/30/10	28,178.39	12,931.96	41,110.35
5/30/11	28,896.94	12,213.41	41,110.35
11/30/11	29,633.81	11,476.54	41,110.35
5/30/12	30,389.47	10,720.88	41,110.35
11/30/12	31,164.41	9,945.94	41,110.35
5/30/13	31,959.10	9,151.25	41,110.35
11/30/13	32,774.06	8,336.29	41,110.35
5/30/14	33,609.79	7,500.56	41,110.35
11/30/14	34,466.84	6,643.51	41,110.35
5/30/15	35,345.75	5,764.60	41,110.35
11/30/15	36,247.07	4,863.29	41,110.35
5/30/16	37,171.37	3,938.98	41,110.35
11/30/16	38,119.24	2,991.11	41,110.35
5/30/17	39,091.28	2,019.07	41,110.35
11/30/17	40,088.10	1,022.25	41,110.35
TOTALS:	\$873,577.18	\$400,843.60	\$1,274,420.78