

# COMPANY NAME

## EQUIPMENT LEASE PURCHASE AGREEMENT

THIS EQUIPMENT LEASE PURCHASE AGREEMENT made and entered into as of [Dated Date] between [Lessor Name], as Lessor, whose mailing address is \_\_\_\_\_, and \_\_\_\_\_, as Lessee, whose mailing address is \_\_\_\_\_.

For and in consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**Definitions.** Unless the context otherwise clearly requires, the following terms shall have the respective meanings set forth below for all purposes of this Agreement.

“*Acceptance Certificate*” means a certificate in substantially the form attached hereto as Exhibit “C” and which shall be delivered by Lessee to Lessor upon receipt and acceptance of all of the Equipment as provided in Paragraph 10 hereof.

“*Additional Payments*” means any amounts (other than Rental Payments) required to be paid by Lessee pursuant to the terms of this Agreement.

“*Agreement*” means this Equipment Lease-Purchase Agreement, as supplemented and amended from time to time in accordance with Paragraph 32 hereof.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder.

“*Dated Date*” means the date hereinabove first written.

“*Equipment*” means (a) the equipment, vehicles and other personal property identified in Exhibit “A” hereto (subject to substitution of other property as permitted by Exhibit A), (b) any property acquired in substitution, renewal, repair or replacement for or as additions, improvements, accessions and accumulations to any of such equipment and (c) any accessories, equipment, vehicles and other personal property, parts and appurtenances appertaining or attached to any of such equipment, vehicles and other personal property or from time to time incorporated therein or installed thereon.

“*Escrow Account*” means the Escrow Account established pursuant to the Escrow Account Agreement.

“*Escrow Account Agreement*” means the Escrow Account Agreement dated the Dated Date, relating to the establishment of the Escrow Account, attached as Exhibit I.

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“*Escrow Account Holder*” means \_\_\_\_\_ Bank in (City and State/Country)

“*Event of Default*” is defined in Paragraph 25 hereof.

“*Event of Nonappropriation*” means a nonrenewal of the term of this Agreement by Lessee, determined by the failure of the governing body of Lessee to appropriate moneys sufficient to pay the Rental Payments and reasonably estimated Additional Payments for the next succeeding Renewal Term as provided herein. An “Event of Nonappropriation” is not an “Event of Default.”

“*Fiscal Period*” means the annual or biennial period used from time to time by

Lessee for its financial accounting and budgeting purposes. Lessee's current Fiscal Period is the twelve month period ending June 30.

“*Initial Term*” means the period from the Dated Date to midnight of the last day of Lessee's current Fiscal Period.

“*Lease Interests*” means any fractional interests in this Agreement, including, but not limited to, interests evidenced by trust receipts, beneficial interests or certificates of participation.

“*Lessee*” means the entity referred to as Lessee in the first paragraph of this Agreement.

“*Lessor*” means (a) the entity referred to as Lessor in the first paragraph of this Agreement or (b) any assignee or transferee of any right, title or interest of Lessor in and to the Equipment, the Escrow Account or this Agreement (including Rental Payments) pursuant to Paragraph 28 hereof, but does not include any entity solely by reason of that entity retaining or assuming any obligation of Lessor to perform hereunder.

“*Net Proceeds*” means the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

“*Payments*” means the Rental Payments and the Additional Payments, collectively.

“*Prepayment Option Amount*” means the amount determined pursuant to Paragraph 7 hereof at which Lessee may prepay the aggregate principal component of Rental Payments on any Rental Payment date for which a Prepayment Option Amount is identified under the column titled “PREPAYMENT OPTION AMOUNT” on the Rental Payment Schedule prior to the scheduled payment of all Rental Payments to be paid hereunder for the Equipment.

“*Purchase Price*” means the total cost of the Equipment, including all delivery charges, installation charges, legal fees, financing costs, motor vehicle registration fees, recording and filing fees and other costs necessary to vest full, clear legal title to the Equipment in Lessee (“Soft Costs”), subject to the security interest granted to and retained by Lessor as set forth in this Agreement, and otherwise incurred in connection with the financing provided by the lease-purchase of the Equipment as herein provided. Such Soft Costs shall comprise no more than twenty percent (20%) of the Purchase Price.

“*Renewal Term*” means each successive period, in addition to the Initial Term, that is coextensive with Lessee's Fiscal Period and for which Lessee has extended the term of this Agreement as provided in Paragraph 3 hereof.

“*Rental Payments*” means the aggregate amounts (allocable to a principal component and an interest component) payable by Lessee pursuant to Paragraph 4 hereof, as payments for the installment financing of the Purchase Price for the Equipment as set forth in the Rental Payment Schedule.

“*Rental Payment Schedule*” means the schedule attached as Exhibit B hereto.

“*State*” means the State of California.

“*Tax Certificate*” means the Tax Certificate dated the Dated Date delivered by Lessee in accordance with this Agreement.

**Agreement to Lease-Purchase Equipment.** Subject to the terms of this

Agreement, Lessor agrees to provide the funds specified in the Escrow Account Agreement in order to finance the acquisition of the Equipment by Lessee. Subject to the terms of this Agreement and the Escrow Account Agreement, Lessor demises, leases, transfers and lets to Lessee, and Lessee acquires, rents and leases from Lessor, the Equipment.

**Term.** The Initial Term shall commence as of the Dated Date and expire at midnight on the last day of Lessee's current Fiscal Period. Beginning at the expiration of the Initial Term, the term of this Agreement shall automatically be extended upon the successive appropriation by Lessee's governing body of amounts sufficient to pay Rental Payments and reasonably estimated Additional Payments during the next succeeding Renewal Term in the number of Renewal Terms, each coextensive with Lessee's Fiscal Period, as are necessary for all Rental Payments identified on the Rental Payment Schedule hereto to be paid in full, unless this Agreement is terminated as provided in Paragraph 26 hereof.

The term of this Agreement will expire upon the first to occur of (a) the expiration of the Initial Term or any Renewal Term during which an Event of Non-appropriation occurs, (b) the day after the last scheduled Rental Payment shown on the Rental Payment Schedule is paid in full, (c) the day after the Prepayment Option Amount is paid in full pursuant to Paragraph 7 hereof, except as otherwise therein provided, or (d) an Event of Default and a termination of Lessee's rights under this Agreement as provided in Paragraph 26 hereof.

**Rental Payments.** Lessee hereby agrees to pay Rental Payments for the Equipment for the term of this Agreement from and after the Dated Date to Lessor at Lessor's mailing address set forth above (or at such other address as may be designated from time to time pursuant to Paragraph 28 hereof) in the amounts and on the dates specified in the Rental Payment Schedule. Rental Payments made by check will be accepted subject to collection. Lessee's obligation to make Rental Payments and to pay any Additional Payments payable under this Agreement constitutes a current obligation payable from lawfully available funds and shall not be construed to be an indebtedness within the meaning of any applicable constitutional or statutory limitation or requirement. Lessee has not pledged its full faith and credit or its taxing power to make any Rental Payments or any Additional Payments under this Agreement. Lessee shall not permit any person or entity (including the federal government) to guarantee any Rental Payments under this Agreement.

**Conditions Precedent to Funding.** Lessor's obligation to deposit the amounts described in the Escrow Account into the Account described therein is subject to receipt of the following documents in a form and substance satisfactory to Lessor:

- (a) originally signed counterparts of this Agreement and the Escrow Account Agreement;
- (b) a copy of the certified resolution of the Lessee's governing board authorizing the Lessee to enter into this Agreement and Escrow Account Agreement;
- (c) a complete list of Equipment (subject to substitution of property as permitted by the terms of Exhibit A);
- (d) an executed Rental Payment

Schedule; (e) a copy of IRS Form 8038G; (f) an Incumbency Certificate; (g) evidence of insurance coverages required by Paragraph 17 of this Agreement; (h) opinion of counsel to Lessee as to the due authorization, execution, delivery of this Agreement and the Escrow Account Agreement and the enforceability thereof; (i) opinion of Lessee's bond counsel as to the exclusion from Lessor's income of the interest portion of the Installment Payments; (j) Tax Certificate; and (k) any other documents the Lessor reasonably requests.

**Agreement to Seek Appropriations; Notice of Event of Non-appropriation.**

Lessee agrees that its primary business official will do all things lawfully within such official's power (a) to include amounts to make Payments hereunder in each annual or biennial budget (as appropriate) to be submitted to Lessee's governing body and (b) to use best efforts to obtain and maintain funds from which Payments under this Agreement may be made. Lessee hereby agrees to notify Lessor no later than 30 days prior to the last day of its then current Fiscal Period of the occurrence of an Event of Non-appropriation.

**Prepayment Option.** Lessee is hereby granted the option to prepay the aggregate principal component of Rental Payments (in whole but not in part), prior to the scheduled payment of the Rental Payments in full pursuant to this Agreement, on each Rental Payment date for which a Prepayment Option Amount is identified under the column titled "PREPAYMENT OPTION AMOUNT" on the Rental Payment Schedule. The option to prepay shall commence November \_\_, 20xx. Such prepayment amount shall equal the Prepayment Option Amount (assuming that all Rental Payments and Additional Payments due on and prior to the prepayment date have been paid) shown for the Rental Payment date on which such prepayment is to be effective under the column titled "PREPAYMENT OPTION AMOUNT" on the Rental Payment Schedule. To exercise the option granted under this Paragraph 7, Lessee shall give Lessor a written notice exercising such option and designating the Rental Payment date on which such prepayment is to be effective and the applicable Prepayment Option Amount, which notice shall be delivered to Lessor at least thirty (30) days in advance of the proposed prepayment date. The prepayment option herein granted may be exercised by Lessee whether or not one or more Events of Default have occurred and are then continuing at the time of such exercise; provided, however, that the prepayment of such principal component of Rental Payments upon the exercise of such option during the continuance of an Event of Default shall not limit, reduce or otherwise affect liabilities or obligations that Lessee has incurred as a result of such Event of Default or otherwise terminate the term of this Agreement notwithstanding anything in this Agreement to the contrary. Immediately upon any such prepayment being made, Lessor shall execute all documents necessary to confirm in Lessee title in and to the Equipment free and clear of any lien, encumbrance or other interest created by Lessor, but without warranties and in "where-is, as-is" condition, and release Lessor's security interest in the Equipment and shall deliver such documents to Lessee. Lessor shall further cooperate in providing for the filing of any necessary releases, termination statements or other similar documents and the release of certificates of title or certificates of origin to Lessee.

**Essentiality.** Lessee's present intention is to make Payments for the Initial Term and all Renewal Terms. In that regard, Lessee represents that the use and operation of the

Equipment is essential to its proper, efficient and economic governmental operation. Lessee does not intend to sell or otherwise dispose of the Equipment or any interest therein prior to the last Rental Payment (including all Renewal Terms) scheduled to be paid hereunder.

**Delivery and Installation of Equipment.** Lessee shall select the type, quantity and supplier of each item of the Equipment designated in Exhibit "A" hereto. In addition, the Lessee shall have the right to substitute any other item of Equipment upon written notice from Lessee setting forth the quantity, cost per unit, description and serial number of such substituted items, subject to the condition that the weighted average useful life of all of the Equipment following substitution will be at least equal to the term of this Agreement. Lessee, as Lessor's agent for this purpose, shall order such Equipment from such supplier. Any existing purchase order for any portion of the Equipment that has not been delivered and installed as of the Dated Date shall be deemed to be executed by Lessee in its capacity as Lessor's agent for purposes of this Agreement. Lessor shall have no liability for any delay in delivery or failure by the supplier to deliver any Equipment or to fill any purchase order or meet the conditions thereof. Lessee, at its expense, will pay or cause the supplier to pay all transportation, packing, taxes, duties, insurance, installation, testing and other charges in connection with the delivery, installation and use of the Equipment. As soon as practicable after receipt, inspection and acceptance of all of the Equipment, Lessee shall furnish Lessor with (i) an Acceptance Certificate in the form of Exhibit C, and (ii) in the event the Lessee has substituted equipment, a revised Exhibit A identifying the Equipment. Lessee understands and agrees that neither the manufacturer, seller or supplier of any Equipment, nor any salesman or other agent of any such manufacturer, seller or supplier, is an agent of Lessor. No salesman or agent of the manufacturer, seller or supplier of any Equipment is authorized to waive or alter any term or condition of this Agreement, and no representation as to Equipment or any other matter by the manufacturer, seller or supplier of any Equipment shall in any way affect Lessee's duty to pay the Rental Payments and perform its other obligations as set forth in this Agreement. Lessee hereby acknowledges that it has or will have selected the Equipment identified on Exhibit "A" hereto using its own criteria and not in reliance on any representations of Lessor.

**DISCLAIMER OF WARRANTIES.** LESSOR, NOT BEING THE MANUFACTURER, SELLER OR SUPPLIER OF ANY OF THE EQUIPMENT, NOR A DEALER IN ANY OF SUCH EQUIPMENT, HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY, REPRESENTATION OR COVENANT, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING BUT NOT LIMITED TO: THE MERCHANTABILITY OF SUCH EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE DESIGN OR CONDITION OF SUCH EQUIPMENT, THE QUALITY OR CAPACITY OF SUCH EQUIPMENT, THE WORKMANSHIP IN SUCH EQUIPMENT, COMPLIANCE OF SUCH EQUIPMENT WITH THE REQUIREMENT OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, PATENT INFRINGEMENT OR LATENT DEFECTS. Lessee accordingly agrees not to assert any claim

whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for any direct, indirect, consequential, incidental or special damages or loss of any classification. Lessor shall have no obligation to install, erect, test, adjust, service or maintain any Equipment. Lessee shall look solely to the manufacturer, seller and/or supplier for any and all claims related to the equipment.

**LESSEE ACQUIRES, PURCHASES AND LEASES THE EQUIPMENT  
“WHERE-IS, AS IS” AND “WITH ALL FAULTS.”**

Lessor hereby acknowledges that, so long as no Event of Default or Event of Non-appropriation has occurred and is continuing hereunder, the warranties of the manufacturer, seller and/or supplier of the Equipment, if any, are for the benefit of Lessee.

**Title to Equipment.** During the term of this Agreement, title to the Equipment shall be vested in Lessee, subject to the rights of Lessor under this Agreement, unless Lessor terminates this Agreement pursuant to Paragraph 26 hereof or an Event of Non-appropriation occurs, in which event title to the Equipment shall immediately vest in Lessor free and clear of any right, title or interest of Lessee. Lessee, at its expense, will protect and defend Lessee's title to the Equipment and Lessor's rights and interests therein and will keep the Equipment, free and clear from any and all claims, liens, encumbrances and legal processes of Lessee's creditors and other persons. All items of Equipment shall at all times be and remain personal property notwithstanding that any such Equipment may now or hereafter be affixed to realty.

**Tax Covenants; Tax Indemnity Payments.** Lessee agrees that it will not take any action that would cause the interest component of Rental Payments to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in timely manner, any action, or omission, which action or omission would cause the interest component of Rental Payments to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes. Lessee agrees to (a) execute and deliver a Tax Certificate in form and content acceptable to Lessor and Lessee, relating to the establishment and maintenance of the excludability from gross income of the interest component of Rental Payments for federal income tax purposes, and (b) complete and file or cause to be filed in a timely manner an information reporting return (an I.R.S. Form 8038-G) in the form attached as Exhibit “D” hereto with respect to this Agreement as required by the Code. Lessee represents that neither Lessee nor any agency or unit of Lessee has any property, including cash and securities, that is legally required or otherwise restricted (no matter where held or the source thereof) to be used directly or indirectly to purchase the Equipment. Lessee has not and will not establish any funds or accounts (no matter where held or the source thereof) the use of which is legally required or otherwise restricted to pay directly or indirectly any Rental Payments under this Agreement, other than a bona fide debt service fund established to make Rental Payments. Lessee certifies and covenants to Lessor and to the owners from time

to time of Lessor's interests in this Agreement that, so long as any Rental Payments remain unpaid hereunder, moneys on deposit in the Escrow Account will not be used in a manner that will cause this Agreement to be classified as "arbitrage bonds" within the meaning of Section 148(a) of the Code. If the Internal Revenue Services asserts in writing, whether by a final adverse determination that gives rise to a right of administrative appeal, or otherwise, that the interest component of Rental Payments is not excludable from gross income for any reason (including, without limitation, any breach of the covenants contained in this Paragraph 13), Lessee agrees to pay to Lessor promptly after any such written determination and on each Rental Payment date thereafter an additional amount to compensate such owner or owners for the loss of such excludability (including, without limitation, compensation relating to interest expense, penalties, or addition to tax), which determination by Lessor shall be conclusive (absent manifest error). Notwithstanding anything herein to the contrary, any additional amount payable by Lessee pursuant to this Paragraph 13 shall be payable solely from lawfully available funds. It is Lessor's and Lessee's intention that this Agreement not constitute a "true" lease for federal income tax purposes and, therefore, it is Lessor's and Lessee's intention that Lessee be considered the owner of the Equipment, for federal income tax purposes.

**Use of Equipment, Inspection and Reports.** During the term of this Agreement, Lessee shall be entitled to quiet enjoyment of the Equipment and may possess and use the Equipment in accordance with this Agreement, provided that Lessee is in compliance in all respects with the terms of this Agreement and that such possession and use are in conformity with all applicable laws, any insurance policies and any installation requirements (including environmental specifications) or warranties of the manufacturer, seller and/or supplier with respect to the Equipment. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Equipment. Lessor shall have the right, upon reasonable prior notice to Lessee and during regular business hours, to inspect the Equipment at the premises of Lessee or wherever the Equipment may be located. At Lessor's request, Lessee shall provide Lessor, no later than ten days after introduction of a draft budget, with the draft budget for the upcoming Fiscal Period (commencing with the Lessee's current Fiscal Period) or other proof of appropriation for the ensuing Fiscal Period and such other information relating to Lessee's ability to continue the term of this Agreement for the next succeeding Renewal Term as may be reasonably requested by Lessor. Further, at Lessor's request, Lessee shall provide Lessor, no later than ten days after adoption of the final budget, the current final budget for each Fiscal Period (commencing with the Lessee's current Fiscal Period) or other proof of appropriation for the ensuing Fiscal Period and such other information relating to Lessee's ability to continue the term of this Agreement for the next succeeding Renewal Term as may be reasonably requested by Lessor. During the term of this Agreement and upon the request of the Lessor, Lessee shall furnish or cause to be furnished to Lessor, at Lessee's expense, the audited financial statements of Lessee as at the close of and for such Fiscal Period, all in reasonable detail, audited by and with the report of Lessee's auditor.

**Security Agreement; Further Assurances.** To secure the performance of all of Lessee's obligations hereunder, Lessee hereby grants to Lessor, and Lessor shall have and retain, a security interest constituting a first and exclusive lien on (a) the Equipment

delivered hereunder, on all attachments, repairs, replacements and modifications thereto or therefore and on any proceeds therefrom and (b) moneys and investments held from time to time in the Escrow Account and any proceeds therefrom. Lessee agrees to execute and deliver such additional documents including, without limitation, certificates of title or certificates of origin (or applications therefore) noting Lessor's interest thereon, opinions of counsel, notices and similar instruments, in form satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its security interest in the Equipment and in the moneys and investments in the Escrow Account.

**Risk of Loss.** All risk of loss, damage, theft or destruction to each item of Equipment shall be borne by Lessee. No such loss, damage, theft or destruction of the Equipment, in whole or in part, shall impair the obligations of Lessee hereunder (including, but not limited to, the obligation to pay Rental Payments when due), all of which shall continue in full force and effect subject to the terms of this Agreement. If (a) the Equipment or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any part thereof is taken under the exercise of the power of eminent domain, Lessee shall immediately notify Lessor. Lessee and Lessor shall cause the Net Proceeds of any insurance claim or condemnation award to be applied, at Lessee's option, so long as Lessee is not in default, to (i) the prompt repair, restoration, modification or replacement of the Equipment or (ii) the payment in full of the then applicable Prepayment Option Amount. Any balance of Net Proceeds remaining after completion of such work or payment of such Prepayment Option Amount shall be paid promptly to Lessee. If the Net Proceeds are insufficient to pay the costs of such repair, restoration, modification or replacement or to pay such Prepayment Option Amount in full, Lessee's primary business official shall seek an appropriation of funds by Lessee's governing body to either complete the work or pay the then applicable Prepayment Option Amount in full and in either case at a cost in excess of the amount of Net Proceeds.

**Insurance.** In the event that Lessee is not self-insured as hereinafter provided Lessee shall, at its own expense, procure and maintain continuously in effect during the term of this Agreement: (a) public liability insurance for personal injuries, death or damage to or loss of property arising out of or in any way relating to the Equipment sufficient to protect Lessor from liability in all events, with a coverage limit of not less than \$1,000,000 per occurrence, and (b) all-risk casualty and property insurance, in an amount equal to the lesser of the full replacement cost of the Equipment or the applicable Prepayment Option Amount. All such insurance shall name Lessor as an additional insured. The policies required hereby shall provide that they may not be canceled or materially altered without at least 30 days prior written notice to Lessor. Lessee shall deliver to Lessor copies or other evidence satisfactory to Lessor of each insurance policy and each renewal thereof. Failure by Lessor to request evidence of such insurance policies or renewals, or otherwise to verify the existence of such insurance, shall not constitute a waiver of the requirements hereof. As an alternative to providing the insurance required by the first paragraph of this Paragraph, or any portion thereof, the Lessee may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable coverage for the

risks to be insured against in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the Lessee.

**Maintenance and Repairs.** Lessee shall use the Equipment in a careful and proper manner, in compliance with all applicable laws and regulations and, at its expense, keep and maintain the Equipment in good repair and working order, performing all maintenance and servicing necessary to maintain the value and utility of the Equipment, reasonable wear and tear excepted. Without the prior written consent of Lessor, Lessee shall not make any alterations, modifications or attachments to the Equipment, which cannot be removed without materially damaging the functional capabilities, economic value or utility of the Equipment.

**Taxes.** Unless Lessee has provided Lessor with evidence necessary to sustain an exemption therefrom, Lessee shall timely pay all assessments, license fees, taxes (including sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes) and all other governmental charges, fees, fines or penalties whatsoever, whether payable by Lessor or Lessee, now or hereafter imposed by any governmental body or agency on or relating to the Equipment, the Escrow Account, the Rental Payments or the use, registration, rental, shipment, transportation, delivery, ownership or operation of the Equipment and on or relating to this Agreement or the Escrow Account Agreement; provided, however, that the foregoing shall not include any federal, state or local income or franchise taxes of Lessor. The Lessee may, at the Lessee's expense and in its name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Lessor shall notify the Lessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Lessor in the Equipment will be materially endangered or the Equipment, or any part thereof, will be subject to loss or forfeiture, in which event the Lessee shall promptly pay such taxes, assessments or charges or provide the Lessor with full security against any loss which may result from nonpayment.

**Lessor's Performance of Lessee's Obligations.** If Lessee shall fail to perform any of its obligations hereunder, Lessor may, at its option, perform any act or make any payment that Lessor deems necessary for the maintenance and preservation of the Equipment and Lessor's interests therein, including, but not limited to, payments for satisfaction of liens, repairs, taxes, levies and insurance. All expenses incurred by Lessor in performing such acts and all such payments made by Lessor together with late charges as provided in Paragraph 21 below, and any reasonable legal fees incurred by Lessor in connection therewith, shall be payable by Lessee to Lessor on demand. The performance of any act or payment by Lessor as aforesaid shall not be deemed a waiver or release of any obligation or default on the part of Lessee. **Late Charges.** Should Lessee fail to duly pay any part of any Rental Payment or other sum to be paid to Lessor hereunder (including, but not limited to, any amounts due as a result of Lessor's exercise of its rights under Paragraph 26 hereof following an Event of Default) on the date on which such amount is

due hereunder, then Lessee shall pay to Lessor late charges on such delinquent payment following a grace period of ten (10) business days after the due date thereof until paid at the rate of 12% per annum or the highest rate permitted by law, whichever is less.

**Indemnification.** Lessee assumes liability for, agrees to and does hereby indemnify, protect and hold harmless Lessor and its agents, employees, officers, directors, parents, subsidiaries and stockholders from and against any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses (including reasonable attorneys' fees), of whatsoever kind and nature, arising out of the use, condition (including, but not limited to, latent and other defects and whether or not discoverable by Lessee or Lessor), operation, ownership, selection, delivery, storage, leasing or return of any item of the Equipment, regardless of where, how and by whom operated, or any failure on the part of Lessee to accept the Equipment or otherwise to perform or comply with any conditions of this Agreement. Lessee is an independent contractor and nothing contained herein shall authorize Lessee or any other person to operate any item of the Equipment so as to incur or impose any liability or obligation for or on behalf of Lessor. Notwithstanding anything herein to the contrary, any indemnity amount payable by Lessee pursuant to this Paragraph 22 shall be payable solely from lawfully available funds and only to the extent authorized by law.

**No Offset; Unconditional Obligation.** This Agreement is "triple net" and Lessee's obligation to pay all Rental Payments and Additional Payments hereunder shall be absolute and unconditional under any and all circumstances subject to the terms and conditions of this Agreement. Without limiting the generality of the foregoing, Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of Lessee against Lessor hereunder or otherwise; nor, except as otherwise expressly provided herein, shall this Agreement terminate, or the respective obligations of Lessor or Lessee be otherwise affected, by reason of any failure of the Equipment to perform in the manner or to the extent that Lessee anticipated or to achieve cost or other savings that Lessee anticipated, any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, it being the intention of the parties hereto that the Rental Payments and Additional Payments payable by Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall expire or be terminated pursuant hereto (including upon the occurrence of an Event of Non-appropriation) or until the Equipment has been returned to the possession of Lessor as herein provided (for all purposes of this Agreement any item of the Equipment shall not be deemed to have been returned to Lessor's possession until all of Lessee's obligations with respect to the return, transportation and storage thereof have been performed).

**Representations and Warranties of Lessee.** Lessee hereby represents and warrants to and agrees with Lessor that:

Lessee has the power and authority under applicable law to enter into the transactions contemplated by this Agreement and the Escrow Account Agreement and has been duly authorized to execute and deliver this and the Escrow Account Agreement and to carry out its obligations hereunder and there under. Attached hereto as Exhibit "F" is a full, true and correct copy or an original of a resolution or other appropriate official action of Lessee's governing body specifically authorizing Lessee to execute and deliver this Agreement and the Escrow Account Agreement. Attached hereto as Exhibit "G" is a full, true and correct copy or an original of an Incumbency Certificate relating to the authority of the officers who have executed and delivered this Agreement and the Escrow Account Agreement on behalf of Lessee. Attached hereto as Exhibit "H" is a full, true and correct copy or an original of an opinion of Lessee's legal counsel regarding the legal, valid and binding nature of this Agreement and the Escrow Account Agreement on Lessee and certain other related matters. All requirements have been met and procedures have occurred in order to ensure the enforceability of this and the Escrow Account Agreement, and Lessee has complied with such public bidding requirements, if any, as may be applicable to the transactions contemplated by this Agreement and the Escrow Account Agreement. Lessee is not subject to any legal or contractual limitation or provision of any nature whatsoever that in any way limits, restricts or prevents Lessee from entering into this Agreement or the Escrow Account Agreement or performing any of its obligations hereunder, except to the extent that such performance may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting Lessee, nor to the best knowledge of Lessee is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement, the Escrow Account Agreement or any other agreement or instrument to which Lessee is a party and which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement and the Escrow Account Agreement. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by Lessee of this Agreement and the Escrow Account Agreement or in connection with the carrying out by Lessee of its obligations hereunder and there under have been obtained, except with respect to annual budgeting and appropriation procedures as required by State law. The payment of the Rental Payments or any portion thereof is not and will not be (under the terms of this Agreement, the Escrow Account Agreement or any underlying arrangement) directly or indirectly (i) secured by any interest in property used or to be used in any activity carried on by any person other than a state or local governmental unit or payments in respect of such property; or (ii) on a present value basis, derived from payments (whether or not to Lessee) in respect of property, or borrowed money, used or to be used in any activity carried on by any person other than a state or local governmental unit. The Equipment will not be used, directly or indirectly, in any activity carried on by any person other than a state or local governmental unit. No portion of the Purchase Price for the Equipment will be used, directly or indirectly, to make or finance loans to any person other than Lessee. Lessee

has not entered into and will not enter into any management or other service contract with respect to the use and operation of the Equipment.

The entering into and performance of this Agreement and the Escrow Account will not violate any judgment, order, law or regulation applicable to Lessee or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Equipment or the Escrow Account pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which Lessee is a party or by which it or its assets may be bound, except as herein provided. Lessee is acquiring the Equipment for use primarily within the geographic boundaries of its Member Agencies and for assistance to other agencies in accordance with Lessee's public purpose. The weighted average useful life of the Equipment will not be less than the term of this Agreement, including all contemplated Renewal Terms.

Lessee has entered into this Agreement and the Escrow Account Agreement for the purpose of purchasing, acquiring and leasing the Equipment. The Purchase Price for the Equipment will be paid directly by the Escrow Account Holder from the Escrow Account pursuant to the Escrow Account Agreement to the manufacturer, seller or supplier thereof, and no portion of the Purchase Price for the Equipment will be paid to Lessee as

Lessee has made sufficient appropriations or has other lawfully available funds to pay all Rental Payments due during the Initial Term.

Lessee has not previously failed (for whatever reason) to appropriate amounts sufficient to pay its obligations that are subject to annual appropriation.

**Events of Default.** Each of the following events constitutes an "Event of Default" hereunder:

Lessee fails to pay in full the Rental Payment due by the expiration of the grace period for late charges, as provided for in Paragraph 21 hereof. Lessee fails to comply with any other agreement or covenant of Lessee hereunder for a period of 30 days following receipt of written notice from Lessor of violation of such agreement or covenant and demand that such violation be remedied; Lessee institutes any proceedings under any bankruptcy, insolvency, reorganization or similar law or a receiver or similar officer is appointed for Lessee or any of its property; any warranty, representation or statement made in writing by or on behalf of Lessee in connection with this Agreement is found to be incorrect or misleading in any material respect on the date made; or actual sale, lease or encumbrance of any of the Equipment by the Lessee or the making of any levy, seizure or attachment thereof or thereon. **Repossession and Lessor's Other Rights Upon Event of Default or Event of Non-appropriation.** Immediately upon the occurrence of an Event of Default or immediately after the expiration of the Initial Term or any Renewal Term during which an Event of Non-appropriation occurs, Lessor may terminate this Agreement or Lessee's rights hereunder and in any such event repossess the Equipment, which Lessee hereby agrees, at its expense, to surrender promptly to Lessor at such location in the County of Orange, California as Lessor shall direct and Lessee shall

remain liable for all Rental Payments due during the Fiscal Year in which the Event of Default occurs. Such right of repossession and other rights as specifically provided in this Paragraph 26 shall constitute the sole remedies for Lessee's failure to make Payments or otherwise perform its obligations when required hereunder. If Lessor is entitled to repossess the Equipment hereunder, Lessee shall permit Lessor or its agents to enter the premises where the Equipment is then located. In the event of any such repossession, Lessee shall execute and deliver such documents as may reasonably be required to transfer title to and possession of the Equipment to Lessor, free and clear of all liens and security interests to which the Equipment may have become subject. Immediately upon the occurrence of an Event of Default or an Event of Non-appropriation, the Lessee will pay all amounts in the Escrow Account to the Lessor. Any termination of this Agreement at Lessor's option as provided in this Paragraph 26 shall take effect at the end of the Initial Term or the Renewal Term then in effect, unless Lessor (at its option) elects to terminate this Agreement on an earlier date.

Upon repossession, if the Equipment is damaged or otherwise made less suitable for the purposes for which it was manufactured than when delivered to Lessee (reasonable wear and tear excepted), Lessee agrees, at its option, to: (a) repair and restore the Equipment to the same condition in which it was received by Lessee (reasonable wear and tear excepted) and, at its expense, promptly return the Equipment to Lessor (or to a location identified in a written notice to Lessee) or (b) pay to Lessor the actual costs of such repair, restoration and return. If Lessor terminates this Agreement pursuant to this Paragraph 26 or an Event of Non-appropriation occurs and Lessee continues to use the Equipment after the Initial Term or any Renewal Term during which the Event of Default or Event of Non-appropriation occurs or if Lessee otherwise refuses to pay Rental Payments due during a Renewal Term for which Lessee's governing body has appropriated sufficient funds to pay such Rental Payments, Lessor shall be entitled to bring such action at law or in equity to recover damages attributable to such holdover period for the Equipment that Lessee continues to use or to the remainder of such Renewal Term for which such appropriations have been made. Lessor shall also be entitled to exercise any or all rights and remedies that Lessor may have at law or in equity, including the exercise of any rights and remedies to which Lessor is entitled with respect to the Escrow Account under the Escrow Account Agreement and hereunder. No right or remedy herein conferred upon or reserved to Lessor is exclusive of any right or remedy herein or at law or in equity or otherwise provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time.

No waiver of or delay or omission in the exercise of any right or remedy herein provided or otherwise available to Lessor shall impair, affect or be construed as a waiver of its rights thereafter to exercise the same. Any single or partial exercise by Lessor of any right hereunder shall not preclude any other or further exercise of any right hereunder.

**No Sale, Assignment or Other Disposition by Lessee.** Lessee agrees not to (a) sell, assign, transfer, lease, sublease, pledge or otherwise encumber or suffer a lien or

encumbrance upon or against any interest in this Agreement, the Escrow Account Agreement (including the Escrow Account thereunder) or the Equipment, (b) enter into any contract or agreement with respect to the use and operation of any of the Equipment by any person other than Lessee, without Lessor's prior written consent in each instance. Lessee shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or other conveyance that may be made with such consent. Lessee shall take no action that may adversely affect the excludability from gross income for federal income tax purposes of any portion of the interest component of the Rental Payments.

**Assignment by Lessor.** (a) Lessor, without Lessee's consent, may assign and reassign all of Lessor's right, title and/or interest in and to this Agreement, the Escrow Account and the Escrow Account Agreement including, but not limited to, the Rental Payments and other amounts payable by Lessee and Lessor's interest in the Equipment, in whole or in part to one or more assignees by Lessor at any time; provided, however, in no event shall Lessee be required to make Rental Payments, to send notices or otherwise deal with respect to matters arising under this Agreement with more than one individual or entity. No such assignment shall be effective as against Lessee unless and until written notice of the assignment is provided to Lessee. When presented with a notice of assignment, Lessee will acknowledge in writing receipt of such notice for the benefit of Lessor and any assignee. Lessee shall keep a complete and accurate record of all such assignments in form necessary to comply with Section 149 of the Code. Lessor covenants and agrees to undertake all responsibility for compliance with State and federal securities laws, including, but not limited to, responsibility for all actions of any placement agent in connection with the offer or sale of this Agreement or Lease Interests. The Lessor acknowledges and agrees that the Lessee has made no undertaking to provide nor has it approved any disclosure or other information for use in connection with the sale of this Agreement or Lease Interests, and Lessor agrees to be fully responsible for any and all disclosure provided to potential investors. The Lessor represents and warrants that the sale of this Agreement or Lease Interests is exempt from Rule 15c2-12, and acknowledges and agrees that the Lessee has made no undertaking to provide any continuing or other disclosure following the execution and delivery of this Agreement. Lessor acknowledges and agrees that the sale or assignment of Interests is subject to the restrictions contained in California Government Code Sections 5950-5955.

**Costs.** Lessee shall pay to Lessor all costs and expenses, including reasonable attorneys' fees and costs related to repossession of the Equipment following an Event of Default (including, without limitation, the costs and expenses to deliver possession of the Equipment to such location as Lessor directs pursuant to Paragraph 26 hereof) and the exercise of remedies with respect to the Escrow Account following an Event of Default, incurred by Lessor in enforcing any of the terms, conditions or provisions of this Agreement and the Escrow Account Agreement.

**Severability.** If any provision of this Agreement is or becomes invalid, illegal or unenforceable, such invalidity, illegality or unenforceability will not affect the other

provisions of this Agreement, which shall be valid and enforceable to the fullest extent permitted by law.

**Notices.** All notices, reports and other documents provided for in this Agreement shall be deemed to have been given or made when delivered (including by facsimile transmission) or three days after being mailed by certified mail, postage prepaid, addressed to Lessor or Lessee at their respective mailing addresses set forth above or such other addresses as either of the parties hereto may designate in writing to the other from time to time for such purpose.

**Amendments.** This Agreement, the Escrow Account Agreement and the Exhibits attached hereto constitute the entire agreement between Lessor and Lessee with respect to the Equipment and the subject matter hereof. No term or provision of this Agreement may be changed, waived, amended or terminated except by a written agreement signed by both Lessor and Lessee, except that Lessor may insert the serial number and additional description details on Exhibit "A" hereto of any item of Equipment after delivery thereof.

**Construction.** This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of California. The titles of the Paragraphs of this Agreement are for convenience only and shall not define or limit any of the terms or provisions hereof. Time is of the essence of this Agreement in each of its provisions.

**Parties; Survival of Certain Obligations and Indemnities.** The provisions of this Agreement shall be binding upon, and (subject to the limitations of Paragraph 27 hereof) shall inure to the benefit of, the respective assignees and successors of Lessor and Lessee; The indemnities, assumptions of liabilities and obligations of Lessee provided for in Paragraphs 9, 13 and 22 of this Agreement shall continue in full force and effect notwithstanding the expiration or termination of the term of this Agreement.

**Counterparts.** This Agreement may be executed in several counterparts, each of which when executed shall be deemed to be an original, but all together shall constitute but one and the same agreement.

**Interest.** [Intentionally left blank.]

**Escrow Account Agreement.** In order to provide financing to pay the Purchase Price for the Equipment, Lessee hereby agrees to execute and deliver the Escrow Account Agreement for the benefit of Lessor, substantially in the form of Exhibit "I" hereto, on the date of execution and delivery of this Agreement. If an Event of Non-appropriation or an Event of Default occurs prior to Lessee's acceptance of all the Equipment, the amount then on deposit in the Escrow Account shall be applied to prepay the unpaid principal component of the Rental Payments in whole on the first business day of the month next succeeding the occurrence of either such Event plus accrued interest to the prepayment date; provided, however, that the amount to be prepaid by Lessee pursuant to this Paragraph 37 shall first be paid from moneys in the Escrow Account and then from other

moneys available for such purpose as a result of the exercise by Lessor of its rights and remedies under this Agreement. Any funds on deposit in the Escrow Account on the prepayment date described in this subparagraph (b) in excess of the unpaid principal component of the Rental Payments to be prepaid plus accrued interest thereon to the prepayment date shall be paid promptly to Lessee. (c) To the extent that Lessee has not accepted all items of Equipment, before the eighteen-month anniversary of the Dated Date, or there otherwise remains a balance on deposit in the Escrow Account on the eighteen-month anniversary of the Dated Date, the amount then on deposit in the Escrow Account shall, at the option of the Lessee, be applied to prepay the unpaid principal component of the Rental Payments in part, in inverse order of Rental Payments, on the first business day of the next month plus accrued interest to the prepayment date, provided, however, that the amount to be prepaid by Lessee pursuant to this Paragraph 37 shall be paid from moneys in the Escrow Account. Notwithstanding any such partial prepayment, this Agreement shall remain in full force and effect with respect to the portion of the Equipment accepted by Lessee during such eighteen-month period, and the portion of the principal component of Rental Payments remaining unpaid after such prepayment plus accrued interest thereon shall remain payable in accordance with the terms of this Agreement. Upon Lessor's request, Lessee shall execute an amendment to the Rental Payment Schedule that reflects the change to the Rental Payments as a result of such partial prepayment.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Agreement to be duly executed and delivered as of the date first above written.

LESSEE: \_\_\_\_\_

BY: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

LESSOR: \_\_\_\_\_

BY: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**EXHIBIT "A"**  
**EQUIPMENT DESCRIPTION**

**Description of Equipment :**

**Quantity :**

**Serial or VIN Numbers (if available) :**

Items of Equipment may be substituted upon written notice from Lessee setting forth the quantity, cost per unit, description and serial number of such substituted items, subject to the condition that the weighted average useful life of all of the Equipment following substitution will be at least equal to the term of the Agreement.

**EXHIBIT "B"**  
**RENTAL PAYMENT SCHEDULE**

**Due Date :**

**Principal Component :**

**Interest Component :**

**Prepayment Option Amount :**

**EXHIBIT "C"**  
**ACCEPTANCE CERTIFICATE**

THE UNDERSIGNED ACKNOWLEDGES AND REPRESENTS THAT:

1.

The Equipment identified in Exhibit "A" to the above-referenced Agreement is delivered, installed, available for use and is placed in service as of the Acceptance Date indicated below.

2.

Such Equipment is in good operating condition and repair and is accepted as satisfactory in all respects for purposes of the Agreement.

ACCEPTANCE DATE: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**EXHIBIT "D"**  
**IRS FORM 8038G**

[SEE ATTACHMENT]

**EXHIBIT "E"**  
**INSURANCE COVERAGE CERTIFICATES**

[ATTACH INSURANCE CERTIFICATE]

**EXHIBIT "F"**  
**AUTHORIZING RESOLUTION**

[SEE ATTACHMENT]

**EXHIBIT "G"**  
**INCUMBENCY CERTIFICATE OF LESSEE**

The undersigned, the duly authorized representative of the named Lessee under that certain Equipment Lease-Purchase Agreement dated as of [Dated Date] (the "Agreement"), with [Lessor], as Lessor, hereby certifies as follows in accordance with the requirements of the Agreement. Capitalized terms used herein have the same meaning as in the Agreement. I hold the position noted under my signature, and I have all authority necessary to execute and deliver this Certificate. The following officers of the Lessee are duly elected or appointed, and the signatures above the respective name and title are true and correct and, where required, have been filed with the appropriate officials of the State.

SIGNATURE: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

IN WITNESS WHEREOF, I have executed and delivered this certificate as of this \_\_\_\_\_, 2xxx.

**EXHIBIT "H"**  
**OPINION OF LEGAL COUNSEL**

[SEE ATTACHMENT]

**ESCROW ACCOUNT AGREEMENT**

[SEE ATTACHMENT]