

RESOLUTION #639

A RESOLUTION FROM THE CITY OF BETHEL TO ENTER INTO A LEASE PURCHASE PLAN, FOR THE PURPOSE OF PUBLIC SAFETY VEHICLES ACQUISITION.

WHEREAS, the City of Bethel provides several public safety services and as Police protection, Fire, and EMS Services; and,

WHEREAS, the existing Police and Fire vehicles are 4-6 years old and are in a state of disrepair due to heavy use on the rough road surfaces and frequently those vehicles are inoperative and in the shop for repair-this causes a public safety concern and slow response to calls for assistance; and,

WHEREAS, Municipal grant #5/90-820 is for the purpose of Public Safety Vehicles which will assist in the City of Bethel's efforts to serve its residents;

NOW, THEREFORE BE IT RESOLVED, that the City of Bethel is hereby authorized to enter a lease/purchase plan with GE Capital Fleet Services for the purpose of acquiring public safety vehicles.

PASSED AND APPROVED THIS _____ DAY OF _____, 1989.

Clara Kelly, Mayor

ATTEST:

Karole A. Kohl, Acting City Clerk



Bethel Fire Department

Mark R. Barker, Fire Chief
P. O. Box 388, Bethel, Alaska 99559
Phone: (907) 543-2131

MEMORANDUM

To: City Manager
From: Chief Barker *MB*

Date: 9-22-89
Re: GE Capital Fleet Services/
Vehicle Leasing

Over the past two years I have been working with the different purchasing agents and City Managers trying to put together a fleet vehicle leasing package. I have talked to many vehicle dealers, lending institutions, and leasing companies. Approximately one year ago after a lot of investigation I found a company that I thought would best suit our particular needs. This company is GE Capital Fleet Services or GELCO.

Attached is a copy of some of the particular items that make GELCO the best choice. This company is very familiar in dealing with municipalities and governmental organizations. They understand our budgetary limitations and internally how we function different than say a private corporation. Currently GELCO does a lot of leasing of vehicles and equipment to many major municipalities in the country. You may want to pass on a copy of the attachment to the City Council. Additionally I can present them with other leasing information if necessary.

To complete the leasing agreement for the Fire Dept. vehicle we need to do the following.

1. Pass resolution 639 authorizing the City Manager to enter into a leasing agreement. Apparently the City lawyer needs this before he can review the leasing agreement.
2. Have the lawyer review the leasing agreement and sign the letter of opinion. If he feels the leasing agreement is valid then...
3. Sign the agreement. This sounds rather complicated for a simple project but that is the way these legal things get.



General Electric Fleet Services, Inc.
A unit of General Electric Capital Corporation
Three Galen Drive, Eden Prairie, MN 55344
612 828-1000

HIGHLIGHTS OF MUNICIPAL LEASING

A. Equity and Ownership

Unlike many rentals and leases, with a municipal lease purchase program, the government begins building an equity position in the leased vehicles with the very first payment. At the end of the agreement term or at the prepayment of the agreement, the government owns the vehicles at no additional cost. Title is generally passed to the municipality upon the start of the term. The lessor becomes the first lienholder on the vehicles.

B. Year-to-Year Funding

A municipal lease agreement provides for year-to-year budget financing with short, medium, or long term conditions. It is annually renewable and will, when necessary, be structured to coincide with the government's specific fiscal periods.

C. Flexible Terms

Terms can be arranged for making payments monthly, quarterly, semi-annually, or annually over periods ranging from eighteen to sixty months.

D. Minimum Down Payment

In most cases, only the first payment is required to initiate the agreement. However, if additional funds are available, a larger down payment may be made which can either reduce the payments or shorten the agreement term.

E. Immediate Savings

A municipal leasing program makes it possible for Governments to acquire their capital improvement needs NOW and take advantage of TODAY'S prices for IMMEDIATE and FUTURE SAVINGS!

F. Conserves Capital

Through a lease/purchase program, the lower yearly expenditure results in a stronger budget cash flow position, which in turn frees up much needed cash for meeting other capital improvement requirements.

G. Bond Election Not Required

In most instances a bond election is not required, thus avoiding the time expense and uncertainty of a bond election.

H. Overcomes Obsolescence

A municipal lease/purchase program allows the government to replace obsolete or nonproductive equipment with up-to-date and more efficient products.



GE Capital
1000
1000
447-500-1000

GE CAPITAL FLEET SERVICES LEASE PURCHASE PROGRAM

ABOUT GE CAPITAL FLEET SERVICES

We're the nation's leading financial services firm, providing financing for government and business.

GE Capital Fleet Services provides a multitude of programs specifically designed to meet the unique requirements of state and local governments. We have consummated hundreds of financing packages nationwide, and enjoy a reputation as a market leader in this area.

TAX EXEMPT LEASE PURCHASE

A lease purchase transaction is generally structured as an installment loan. We work with your equipment provider or building contractor to assure that your specifications are met. Then we provide financing at low, tax exempt rates. The term will normally be in the 2 to 15 year range, with equal payments structured to meet budget requirements. You accrue equity with each payment, and upon final payment, own the equipment or building.

WHY LEASE PURCHASE?

Some of the reasons governments utilize lease purchase financing are:

1. Full financing with no down payment.
2. Bond election not required.
3. Flexible payment terms.
4. Tax exempt interest rates.
5. Allows for more timely replacement of obsolete equipment.
6. Not a debt obligation.
7. Build equity with eventual free and clear ownership.
8. Speed and simplicity of consummating a lease purchase.

DOCUMENTATION

GE Capital provides a Lease with Option to Purchase Agreement covering all equipment under the program. We work to assure that the agreement is structured to reflect the needs of your government, and also to comply with state and local laws.

Your GE Capital representative can provide additional information on lease structure and documentation.

YEAR-TO-YEAR FUNDING

GE Capital's lease agreements are generally structured with a "funding out" clause, which deals with the inability of many governments to obligate themselves for more than one fiscal period. In essence, the lease is simply a series of one year agreements which are annually renewable at your option. If funds are not appropriated in subsequent years, the equipment is returned to us with no termination penalty.

In addition, the agreement allows for prepayment and early buyout of the equipment on any payment date. We provide you a schedule reflecting such prepayment amounts as part of your lease agreement.

COST OF LEASE PURCHASE FINANCING

Financing for a lease purchase is provided by GE Capital based on the current market rates for tax exempt bonds, notes, and other securities. Interest rates are always lower than the prime lending rate. Factors influencing the rate on a particular transaction are the size of the deal, the property being financed, the creditworthiness of the lessee, and the lease term. Your GE Capital representative can provide you additional information on a financing alternative to meet your budget requirements.

REQUESTING A LEASE PURCHASE PROPOSAL

A sample format for requesting a lease purchase proposal from qualified vendors is available from your GE Capital representative. We will be pleased to assist you in custom tailoring an RFP specifically for your government.

THE NEXT STEP

A GE Capital representative will be pleased to discuss lease purchase financing and our programs in more detail at your convenience. Please don't hesitate to contact us for additional information. Over \$10 billion in equipment was financed by governments under lease agreements in 1987; why not put leasing to work for you this year?

* * * * *



GE Capital

GE Capital Fleet Services
A unit of General Electric Capital Corporation
Three Gulen Drive Eden Prairie MN 55344
612 828-1000

August 25, 1989

CITY OF BETHEL
P.O. Box 388
Bethel, AK 99559
Attn: George Amarock

RE: Lease Financing for: Ford F150 Pickup

Dear Mr. Amarock:

Enclosed for your review is the Lease Agreement covering the above referenced equipment. The Agreement should be signed by an authorized official and returned to us as soon as possible.

In addition, please note the following:

1. **Opinion of Counsel (Exhibit D):** Your legal counsel should review all documentation and then provide an Opinion in the form of the sample Exhibit D.
2. **Insurance Certificate:** Please provide a Certificate of Insurance addressing the requirements described in the enclosed Insurance Memorandum.
3. **UCC Form:** Please sign the form where indicated and return if applicable.

The completed Lease Agreement, Opinion of Counsel, UCC Form, and Insurance Certificate should be returned to us as soon as possible. Please contact either Pat Snell at (612) 828-1728 or myself Kevin Johnson at (612) 828-1016 if there are any questions regarding this matter.

We appreciate the opportunity to do business with the CITY OF BETHEL.

Sincerely,

Kevin L. Johnson,
Sales Associate-Western Region

enclosure

HICKS, BOYD, CHANDLER & FALCONER

ATTORNEYS AT LAW
SUITE 1530
550 WEST SEVENTH AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE: (907) 272-8401
TELECOPIER: (907) 274-3698

September 8, 1989

Mr. George Amarock
City of Bethel
P.O. Box 388
Bethel, Alaska 99559

RE: Lease Financing for Ford F150 Pickup

Dear George:

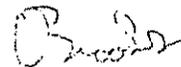
I have highlighted portions of the form opinion of counsel which Geico has requested from the City. Before I can sign the opinion I need to know that the lease has actually been signed and that the City Council approved entering into the lease agreement by motion. Please send me the following:

1. A copy of the signature page showing who has signed on behalf of the City.
2. A copy of the minutes of the City Council which show that a motion was made to enter into this lease and that the motion was approved by the City Council.

Funny how something simple can get so complex isn't it?
Let me know if you have any questions.

Very truly yours,

HICKS, BOYD, CHANDLER
& FALCONER



Brooks W. Chandler

BWC/hha
cc: Mark Ernest

EXHIBIT B
OPINION OF COUNSEL

CITY OF BETHEL
P.O. Box 388
Bethel, AK 99559

Gelco Finance Corporation
Three Gelco Drive
Eden Prairie, MN 55344

RE: Lease with Option to Purchase Agreement dated as of August 25, 1989 by and between Gelco Finance Corporation, (Lessor), and CITY OF BETHEL (Lessee).

Gentlemen:

I have acted as counsel to Lessee with respect to the Lease with Option to Purchase Agreement described above (the Lease) and various related matters, and in this capacity have reviewed a duplicate original or certified copy of the Lease and the Exhibits attached thereto. Based upon the examination of these and such other documents as I deem relevant, it is my opinion that:

1. Lessee is a municipal corporation and political subdivision of the state of Alaska (the State), duly organized, existing and operating under the Constitution and laws of the State.
2. Lessee is authorized and has power under applicable law to enter into the Lease, and to carry out its obligations thereunder and the transactions contemplated thereby.
3. The Lease has been duly authorized, approved, executed and delivered by and on behalf of Lessee, and is a valid and binding contract of Lessee enforceable in accordance with its terms, except to the extent limited by State and Federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditor's rights.
4. The authorization, approval and execution of the Lease and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all applicable open meeting, public bidding and all other laws, rules and regulations of the State.
5. The execution of the Lease and the appropriation of moneys to pay the Rental Payments coming due thereunder do not result in the violation of any constitutional, statutory or other limitation relating to the manner, form or amount of indebtedness which may be incurred by Lessee.
6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease; the proper authorization, approval and/or execution of the Lease, Exhibits thereto and other documents contemplated thereby; the appropriation of moneys to make Rental Payments under the Lease for the current fiscal year of Lessee; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.
7. Resolution No. _____ of the governing body of Lessee, was duly and validly adopted by such governing body on _____, 19____, and such resolution has not been amended or repealed and remains in full force and effect.

Dated: _____

Very truly yours,

PLEASE TYPE NAME AND TITLE UNDER SIGNATURE.

EE-MASTR
1/89
BETHEL.MRG

LEASE WITH OPTION TO PURCHASE AGREEMENT
Between

GELCO FINANCE CORPORATION, Lessor

and

CITY OF BETHEL, as Lessee

Dated as of

August 25, 1989

THIS LEASE WITH OPTION TO PURCHASE AGREEMENT dated as of August 25, 1989 (the Lease), by and between Gelco Finance Corporation, a corporation duly organized and existing under the laws of the state of Delaware as lessor (Lessor) whose address is Three Gelco Drive, Eden Prairie, Minnesota 55344; and the CITY OF BETHEL, a political subdivision of the state of Alaska as lessee (Lessee), whose address is P.O. Box 388, Bethel, AK 99559:

WITNESSETH:

WHEREAS, Lessee is authorized by law to acquire such items of personal property as are needed to carry out its governmental functions, and to acquire such personal property by entering into lease with option to purchase agreements; and

WHEREAS, Lessee has determined that it is necessary for it to acquire under this Lease certain items of personal property described herein as Equipment; and

WHEREAS, Lessor is willing to acquire such items of Equipment and to lease them to Lessee pursuant to this Lease;

NOW THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified.

Contractor: Each of the manufacturers or vendors from whom Lessee (or Lessor at Lessee's request) has ordered or will order or with whom Lessee (or Lessor at Lessee's request) has contracted or will contract for the manufacture, delivery and/or installation of the Equipment.

Equipment: Individually or collectively as the context requires, the personal property designated from time to time by Lessee, which is or will be described in the attached Exhibit A as now or hereafter constituted and which is being or will be leased with option to purchase by Lessee pursuant to this Lease.

Equipment Group: The Equipment listed on any single page of Lease Exhibit A.

Fiscal Year: The twelve month fiscal period of Lessee which commences on July 1 in every year and ends on the following June 30.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of Lessor or Lessee.

Interest: The portion of any Rental Payment designated as and comprising interest as shown in the attached Exhibit B as now or hereafter constituted.

Net Proceeds: Any insurance proceeds or condemnation award, paid with respect to any Equipment, remaining after payment therefrom of all expenses incurred in the collection thereof.

Non-appropriation: The failure of CITY OF BETHEL to appropriate money for any Fiscal Year of Lessee sufficient for the continued performance of this Lease by Lessee with respect to any Equipment Group, as evidenced by the passage of an ordinance or resolution specifically prohibiting Lessee from performing its obligations under this Lease with respect to such Equipment Group, and from using any moneys to pay the Rental Payments due under this Lease with respect to such Equipment Group for a designated Fiscal Year and all subsequent Fiscal Years.

Payment Date: The date upon which any Rental Payment is due and payable as provided in Exhibit B as now or hereafter constituted.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent,

or which Lessee may, pursuant to the provisions of Section 7.3 hereof, permit to remain unpaid, (ii) this Lease and amendments hereto, (iii) Lessor's interest in the Equipment, and (iv) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law, other than any lien arising through a Contractor or which Lessee may, pursuant to Article VIII hereof, permit to remain unpaid.

Principal: The portion of any Rental Payment designated as principal in the attached Exhibit B as now or hereafter constituted.

Purchase Option Price: With respect to the Group of Equipment listed on any page of Exhibit A, as of the Payment Dates specified in the page of the attached Exhibit B relating thereto, the amount so designated and set forth opposite each such date in such page of the attached Exhibit B.

Rental Payment: The payment due from Lessee to Lessor on each Payment Dated during the Term of this Lease, as shown on Exhibit B as now or hereafter constituted.

Specifications: The bid specifications and/or purchase order pursuant to which Lessee has ordered any Equipment from a Contractor.

State: The State of Alaska.

State and Federal Law or Laws: The Constitution and any law of the State and any charter, ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Term of this Lease or Lease Term: The period during which this Lease is in effect as specified in Section 4.1.

Section 1.2. Exhibits. The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit A: A schedule describing the Equipment being leased by Lessee pursuant to this Lease, including the serial number thereof which shall be inserted when available, such schedule comprising a number of pages numbered consecutively beginning with A-1, each such page containing the description of all Equipment comprising an Equipment Group.

Exhibit B: A schedule to be completed by Lessor as provided herein and furnished to Lessee as provided in Section 3.2, comprising pages to be consecutively numbered beginning with B-1, and each page to contain the date and amount of each Rental Payment coming due during the Lease Term with respect to the Equipment Group listed on the corresponding page of Exhibit A, the amount of such Rental Payments comprising Principal and Interest, and the price at which Lessee may exercise its option to purchase Lessor's interest in such Equipment Group in accordance with Article X. The due date of each Rental Payment shall be inserted on Exhibit B by Lessor when available.

Exhibit C: A form of Certificate of Acceptance of Lessee indicating that the Equipment Group described therein has been delivered and installed in accordance with the Specifications, and has been accepted by Lessee, the date on which Rental Payments shown in the page of Exhibit B relating thereto shall commence, and that certain other requirements have been met by Lessee.

Exhibit D: A form of opinion of counsel to Lessee as to the organization, nature and powers of Lessee; the validity, execution and delivery of this Lease and various related documents; the absence of litigation; and related matters.

Exhibit E: A form of resolution of the governing body of Lessee relating to the Lease and, if applicable, certain federal tax matters.

ARTICLE II

REPRESENTATION, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants, and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

(a) Lessee is a municipal corporation and political subdivision of the State, duly organized and existing under the Constitution and laws of the State.

(b) Lessee is authorized under the Constitution and laws of the State to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.

(c) The officer of Lessee executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of Lessee's governing body, or by other appropriate official action.

(d) In authorizing and executing this Lease, Lessee has complied and/or will comply with all public bidding and other State and Federal Laws applicable to this Lease and the acquisition of the Equipment by Lessee.

(e) Lessee will not pledge, mortgage or assign this Lease, or its duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.

(f) Lessee will use the Equipment during the Lease Term only to perform only essential governmental functions.

(g) Lessee will take no action that would cause the Interest portion of the Rental Payments to become includible in gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986 (the Code) and Treasury Regulations promulgated thereunder (the Regulations), and Lessee will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest portion of the Rental Payments does not become includible in gross income of the recipient for federal income tax purposes under the Code and Regulations.

(h) Lessee will make or allow no use of the Equipment or any portion thereof that would cause the Lease to become a "private property bond" within the meaning of the Code and Regulations, and will comply with all requirements of the Code and Regulations necessary to ensure that the Lease does not become an "arbitrage bond" within the meaning of the Code and Regulations.

(i) Upon delivery and installation of any Equipment Group, Lessee will provide to Lessor a completed and executed copy of a Certificate of Acceptance relating thereto in the form attached hereto as Exhibit C.

(j) Upon the execution of this Lease, Lessee will provide to Lessor an opinion of its legal counsel in the form attached hereto as Exhibit D.

(k) Lessee will submit to the Secretary of the Treasury an information reporting statement at the time and in the form required by the Code and the Regulations.

(l) Lessee will cause a resolution substantially in the form attached hereto as Exhibit E to be adopted by its governing body with respect to any Equipment Group subject hereto.

Section 2.2. Representations, Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

(a) Lessor is a corporation duly organized, existing and in good standing under and by virtue of the laws of the state of Delaware, and is duly qualified and in good standing as a foreign corporation authorized to transact business in the State; has power to enter into this Lease; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Lease.

(b) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor is bound, 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 Lessor, or upon the Equipment except Permitted Encumbrances.

ARTICLE III

LEASE OF EQUIPMENT

Section 3.1. Acquisition of Equipment. When during the term of this Lease, Lessee desires to lease a Group of Equipment from Lessor, Lessee shall submit to Lessor a written order therefor in form acceptable to Lessor, and shall advise Lessor in writing of the desired number of Rental Payments to be made with respect thereto. Upon receipt of such order Lessor shall advise Lessee in writing of its concurrence in the lease of the Equipment Group and the number of Rental Payments, or if it does not concur in the number of Rental Payments, the maximum number of Rental Payments Lessor will allow with respect to the Equipment Group described in the order. Nothing herein shall obligate Lessor to lease any Equipment to Lessee until Lessor shall have so concurred in writing to the lease of any Equipment. Upon agreement by Lessor and Lessee to the lease of the Equipment Group and to the number of Rental Payments, Lessee (or Lessor at Lessee's request) shall order the Equipment Group from the manufacturer or manufacturers thereof and notify Lessor in writing of the Equipment cost and the estimated delivery period.

Section 3.2. Equipment Delivery; Documentation. Lessor shall furnish to Lessee completed copies of Exhibit A and B relating to each Equipment Group. Upon delivery of any Equipment Group, Lessee shall inspect such Equipment, and if such Equipment meets Lessee's Specifications contained in the order and bid relating thereto, Lessee shall within three (3) business days from the date of delivery of the Equipment Group provide to Lessor a completed and executed copy of a Certificate of Acceptance relating thereto in the form attached hereto as Exhibit C. If Lessee has not furnished to Lessor a Certificate of Acceptance within such three-day period, Lessee shall be deemed to have accepted the Equipment Group at the end thereof shall become obligated to pay Rental Payments with respect thereto. Simultaneously with the delivery, Lessor and Lessee shall take all actions necessary to vest legal title to the Equipment Group in the party specified in Section 8.1 hereof, and to perfect a security interest therein in favor of Lessor or a person, firm or corporation designated by it.

Section 3.3. Lease. Lessor hereby leases all Equipment made subject to this Lease to Lessee, and Lessee hereby leases such Equipment from Lessor, upon the terms and conditions set forth in this Lease.

Section 3.4. Possession and Enjoyment. Lessor hereby covenants to provide Lessee during the Term of this Lease with the quiet use and enjoyment of the Equipment, and Lessee shall during the Term of this Lease peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Lease. Lessor will, at the request of Lessee and at Lessee's cost, join in any legal action in which Lessee asserts its right to such possession and enjoyment to the extent Lessor lawfully may do so.

Section 3.5. Lessor Access to Equipment. The Lessee agrees that Lessor shall have the right at all reasonable times to examine and inspect the Equipment. Lessee further agrees that Lessor shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by Lessee to perform its obligations hereunder.

ARTICLE IV

TERM OF THE LEASE

Section 4.1. Lease Term: This Lease shall be in effect for a Term commencing upon its date of execution and ending as provided in Section 4.6.

Section 4.2. Termination by Lessee. In the sole event of Non-appropriation relating to any particular Equipment Group, Lessee shall have the right to terminate this Lease with respect to such Equipment Group, at the end of any Fiscal Year of Lessee, in the manner and subject to the terms specified in this Section and Sections 4.4 and 4.5. Lessee may effect such termination by giving Lessor a written notice of termination with respect to such Equipment Group and by paying to Lessor any Rental Payments and other amounts with respect to such Equipment Group which are due and have not been paid at or before the end of its then current Fiscal Year. Lessee shall endeavor to give notice of such termination not less than sixty (60) days prior to the end of such Fiscal Year, and shall notify Lessor of any anticipated termination. In the event of termination of

this Lease with respect to any Equipment Group as provided in this Section, Lessee shall deliver possession of such Equipment Group to Lessor in accordance with Section 12.3, and shall convey to Lessor or release its interest in such Equipment Group within (10) days after termination of this Lease with respect to such Equipment Group.

Section 4.3. Intent to Continue Lease Term; Appropriations. Lessee presently intends to continue this Lease for its entire Term with respect to all Equipment Groups made subject hereto and to pay all Rental Payments relating thereto specified in Exhibit B. Lessee's X will include in its budget request for each Fiscal Year the Rental Payments to become due in such Fiscal Year with respect to all Equipment Groups, and will use all reasonable and lawful means available to secure the appropriation of money for such Fiscal Year sufficient to pay all such Rental Payments coming due therein. Lessee's X reasonably believes that moneys in an amount sufficient to make all such Rental Payments can and will lawfully be appropriated and made available for this purpose.

Section 4.4. Effect of Termination. Upon termination of this Lease with respect to any Equipment Group as provided in Section 4.2, Lessee shall not be responsible for the payment of any additional Rental Payments relating thereto coming due with respect to succeeding Fiscal Years, but if Lessee has not delivered possession of such Equipment Group to Lessor in accordance with Section 12.3 and conveyed to Lessor or released its interest in the Equipment Group within ten (10) days after the termination of this Lease with respect thereto, the termination shall nevertheless be effective, but Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due under the page of Exhibit B relating thereto which are attributable to the number of days after such ten (10) day period during which Lessee fails to take such actions and for any other loss suffered by Lessor as a result of Lessee's failure to take such actions as required.

Section 4.5. Nonsubstitution. If this Lease is terminated by Lessee with respect to any Equipment Group in accordance with Section 4.2, Lessee agrees not to purchase, lease or rent personal property to perform the same functions as, or functions taking the place of, those performed by such Equipment Group, and agrees not to permit such functions to be performed by its own employees or by any agency or entity affiliated with or hired by Lessee, for a period of three hundred sixty (360) days; provided, however, that these restrictions shall not be applicable in the event the Equipment Group shall be sold by Lessor and the amount received from such sale, less all costs of such sale, is sufficient to pay the then applicable Purchase Option Price relating thereto as set forth in Exhibit B; or if or to the extent that the application of these restrictions would affect the validity of this Lease.

Section 4.6. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

- (a) the termination thereof by Lessee with respect to all Equipment Groups in accordance with Section 4.2;
- (b) the exercise by Lessee of its option to purchase Lessor's interest in all Equipment Groups pursuant to Article X;
- (c) a default by Lessee with respect to all Equipment Groups and Lessor's election to terminate this Lease with respect to all Equipment Groups pursuant to Article XII;
- (d) the payment by Lessee of all Rental payments and all other amounts authorized or required to be paid by Lessee hereunder with respect to all Equipment Groups.

ARTICLE V RENTAL PAYMENTS

Section 5.1. Rental Payments. Lessee agrees to pay Rental Payments during the Term of this Lease, in the amounts and on the dates specified in Exhibit B. All Rental Payments shall be paid to Lessor at its offices at the address specified in the first paragraph of this Lease, or to such other person(s) or entity(ies) to which Lessor has assigned such Rental Payments as specified in Article XI, at such place as such assignee may from time to time designate by written notice to Lessee. Lessee shall pay the Rental Payments exclusively from moneys legally available therefor, in lawful money of the United States of America, to Lessor or, in the event of assignment of the right to receive Rental Payments by Lessor, to its assignee(s). Interest with respect to the Rental Payments for any Equipment Group shall accrue from the first day of the calendar month in which the Certificate of Acceptance relating to such Equipment Group is executed.

Section 5.2. Current Expense. The obligations of Lessee under this Lease, including its obligation to pay the Rental Payments due with respect to the Equipment, in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of Lessee for such Fiscal Year and shall not constitute an indebtedness of Lessee within the meaning of the Constitution and laws of the State. Nothing herein shall constitute a pledge by Lessee of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of Lessee in the annual budget of the X and the proceeds or Net Proceeds of the Equipment, to the payment of any Rental Payment or other amount coming due hereunder.

Section 5.3. Interest Component. A portion of each Rental Payment is paid as and represents the payment of Interest. Exhibit B sets forth the Interest component of each Rental Payment.

Section 5.4. Rental Payments to be Unconditional. Except as provided in Section 4.2, the obligation of Lessee to make Rental Payments or any other payments required hereunder shall be absolute and unconditional in all events. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Lessee's obligation to make Rental Payments or other payments during the Lease Term shall not be abated

through accident or unforeseen circumstances. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder; and if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

ARTICLE VI

INSURANCE AND NEGLIGENCE

Section 6.1. Liability Insurance. Unless self-insurance is provided by Lessee, as evidenced by a written certificate specifying the terms and amounts thereof delivered to Lessor, upon receipt of possession of Equipment, Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Equipment or any part thereof, is covered by a blanket or other general liability insurance policy maintained by Lessee. The Net proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 6.2. Property Insurance. Upon receipt of possession of each Equipment, Lessee shall have and assume the risk of loss with respect thereto. Unless self-insurance is provided by Lessee, as evidenced by a written certificate specifying the terms and amounts thereof delivered to Lessor, Lessee shall procure and maintain continuously in effect during the period when Lessee is required to make Rental Payments with respect thereto, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed and to pay the applicable Purchase Option Price of the Equipment. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied to the prompt repair, restoration, modification, improvement, replacement, or purchase of the Equipment by Lessee.

Section 6.3. Workers' Compensation Insurance. If required by State law, and unless self-insurance is provided by Lessee, as evidenced by a written certificate specifying the terms and amounts thereof delivered to Lessor, Lessee shall carry worker's compensation insurance covering all employees on, in, near or about each Equipment, and upon request, shall furnish to Lessor certificates evidencing such coverage throughout the period when Lessee is required to make Rental Payments with respect thereto.

Section 6.4. Requirements For All Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten (10) days before the cancellation or revision becomes effective. All insurance policies required by Sections 6.1 and 6.2 shall name Lessee and Lessor as insured parties, and any insurance policy required by Section 6.3 shall name Lessee as insured party. Lessee shall deposit with Lessor policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, unless such insurance is no longer obtainable in which event Lessee shall notify Lessor of this fact.

Section 6.5. Lessee's Negligence. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to any Equipment and for injury to or death of any person or damage to any property, in any manner arising out of or incident to any possession, use, operation, condition or storage of any Equipment by Lessee, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others. Lessee hereby assumes responsibility for and agrees to indemnify, protect, save and keep harmless Lessor from and against any all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of the possession, use, operation, condition or storage of any Equipment by Lessee, unless caused by Lessor or its agents, to the maximum extent permitted by law.

Section 6.6. Damage to or Destruction of Equipment. If after delivery of any Equipment to Lessee, such Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall as soon as practicable after such event either: (i) replace the same at Lessee's sole cost and expense with Equipment of equal or greater value to the Equipment immediately prior to the time of the loss occurrence, such replacement equipment to be subject to Lessor's reasonable approval, whereupon the replacement shall be substituted in this Lease by appropriate endorsement; or (ii) pay the applicable Purchase Option Price of the Equipment as set forth on Exhibit B. Lessee shall notify Lessor of which course of action it will take within fifteen (15) days after the loss occurrence. If Lessee fails or refuses to notify Lessor within the required period, Lessor may, at its option, declare the Purchase Option Price applicable to the Equipment set forth on Exhibit B immediately due and payable, and Lessee shall be obligated to pay the same. The Net Proceeds of all insurance payable with respect to the Equipment shall be available to Lessee and shall be used to discharge Lessee's obligation under this Section. On payment of the Purchase Option Price, this Lease shall no longer apply to the Equipment and Lessee thereupon shall become entitled to the Equipment AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE, except that the Equipment shall not be subject to any lien or encumbrance created by or arising through Lessor.

ARTICLE VII

OTHER OBLIGATION OF LESSEE

Section 7.1. Use; Permits. Lessee shall exercise due care in the installation, use, operation and maintenance of the

Equipment, and shall not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Lessee shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Equipment. Lessee shall comply with all State and Federal Laws applicable to the installation, use, possession and operation of the Equipment, and if compliance with any such State and Federal Law requires changes or additions to be made to the equipment, such changes or additions shall be made by Lessee at its expense.

Section 7.2. Maintenance of Equipment by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Equipment in such condition. Lessor shall have no responsibility for any of these repairs or replacements.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this Section, Lessee shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Equipment, the Rental Payments or any part thereof, or which become due during the Term of this Lease, whether assessed against Lessee or Lessor. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Equipment; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

Lessee may, at its own expense and in its own name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of 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 Lessee shall promptly pay such taxes, assessments, utility or other charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

Section 7.4. Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand, with interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less, from the date of the advance to the date of repayment.

ARTICLE VIII

TITLE

Section 8.1. Title. During the Term of this Lease, and so long as Lessee is not in default under Article XII, legal title to the Equipment and any and all repairs, replacements, substitutions and modifications to it shall be in Lessee. Upon termination of this Lease with respect to any Equipment Group pursuant to section 4.2 or Article XII hereof, full and unencumbered legal title to such Equipment Group shall pass to Lessor, and Lessee shall have no further interest therein. In either of such events, Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence the passage of legal title to such Equipment Group to Lessor and the termination of Lessee's interest therein, and upon request by Lessor shall deliver possession of the Equipment Group to Lessor in accordance with Section 12.3. Upon termination of this Lease with respect to any Equipment Group through exercise of Lessee's option to purchase pursuant to Article X or through payment by Lessee of all Rental Payments and other amounts relating thereto, Lessor's security or other interest in such Equipment Group shall terminate, and Lessor shall execute and deliver to Lessee such documents as Lessee may request to evidence the termination of Lessor's security or other interest in such Equipment Group.

Section 8.2. Security Interest. Lessor shall have and retain a security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 8.5, in order to secure Lessee's payment of all Rental Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by Lessee. In the event such Equipment is a motor vehicle, Lessor shall have authority to require the state of registration to note Lessor's security interest on its records and the Certificate of Title for the Vehicle. Lessee will join with Lessor in executing such financing statements or other documents and will perform such acts as Lessor may request to establish and maintain a valid security interest in the Equipment. If requested by Lessor, Lessee shall conspicuously mark the Equipment with appropriate lettering, labels or tags, and maintain such markings during the Term of this Lease, so as clearly to disclose Lessor's security interest in the Equipment.

Section 8.3. Liens. During the Term of this Lease, Lessee shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, other than the respective rights of Lessor and Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in Section 7.3 and this Article, Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. Lessee shall reimburse Lessor for any expense incurred by Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or

claim.

Section 8.4. Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install other items of equipment in or upon the Equipment, which items shall be identified by tags or other symbols affixed thereto as property of Lessee. All such items so identified shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the Equipment resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Equipment.

Section 8.5. Modification of Equipment. Lessee shall, at its own expense, have the right to make repairs to the Equipment, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Equipment and be subject to the provisions of this Lease. Such work shall not in any way damage the Equipment or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Equipment, upon completion of any such work shall be of a value which is not less than the value of the Equipment immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. Lessee will not permit any mechanic's or other lien to be established or remain against the Equipment for labor or materials furnished in connection with any repair, replacement, substitution or modification made by Lessee pursuant to this Section; provided that if any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any lien filed or established against the Equipment, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of 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 Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 8.6. Personal Property. The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building thereon or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws, or otherwise.

ARTICLE IX WARRANTIES

Section 9.1. Selection of Equipment. The Equipment and the Contractor have been selected by Lessee, and Lessor shall have no responsibility in connection with the selection of the Equipment, its suitability for the use intended by Lessee, the acceptance by the Contractor or its sales representative of the order submitted, or any delay or failure by the Contractor or its sales representative to manufacture, deliver or install the Equipment for use by Lessee. Lessee authorized Lessor to add the serial number of the Equipment to Exhibit A when available.

Section 9.2. Installation and Maintenance of Equipment. Lessor shall have no obligation to install, erect, test, inspect, service or maintain the Equipment under any circumstances, but such actions shall be the obligation of Lessee or the Contractor.

Section 9.3. Contractor's Warranties. Lessor hereby assigns to Lessee for and during the Term of this Lease, all of its interest in all Contractor's warranties and guarantees, express or implied, issued on or applicable to the Equipment, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

Section 9.4. Patent Infringement. Lessor hereby assigns to Lessee for and during the Term of this Lease all of its interest in patent indemnity protection provided by any Contractor with respect to the Equipment. Such assignment of patent indemnity protection by Lessor to Lessee shall constitute the entire liability of Lessor for any patent infringement by Equipment furnished pursuant to this Lease.

Section 9.5. Disclaimer of Warranties. THE EQUIPMENT IS DELIVERED AS IS, AND LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FOR THE USE CONTEMPLATED BY LESSEE OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE EQUIPMENT.

ARTICLE X OPTION TO PURCHASE

Section 10.1. When Available. Lessee shall have the option to purchase Lessor's interest in any Equipment Group on any Payment Date relating thereto for the then applicable Purchase Option Price set forth in the page of Exhibit B relating thereto, but only if Lessee is not in default under this Lease, and only in the manner provided in this Article.

Section 10.2. Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option with respect to any Equipment Group not less than thirty (30) days prior to the Payment Date on which the option is to be exercised

and shall deposit with Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts relating to such Equipment Group then due or past due (including the Rental Payment relating thereto due on the Payment Date on which the option is to be exercised) and the applicable Purchase Option Price set forth in the page of Exhibit B relating thereto. The closing shall be on the Payment Date on which the option is to be exercised at the office of Lessor.

Section 10.3. Release of Lessor's Interest. Upon exercise of the purchase option with respect to any Equipment Group by Lessee, Lessor shall convey or release to Lessee, all of its right, title, and/or interest in and to the Equipment Group by delivering to Lessee such documents as Lessee deems necessary for this purpose.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. Lessor shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. All of Lessor's right, title and/or interest in and to any Equipment Group, the Rental Payments and other amounts relating thereto due hereunder, and the right to exercise all rights under this Lease relating to such Equipment Group may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. No such assignment shall be effective as against Lessee unless and until the assignor shall have filed with Lessee a copy or written notice thereof identifying the assignee. Lessee shall pay all Rental Payments due hereunder relating to such Equipment Group to or at the direction of Lessor or the assigned named in the most recent assignment or notice of assignment with respect to such Equipment Group filed with Lessee. During the Lease Term Lessee shall keep a complete and accurate record of all such assignments. In the event Lessor assigns participations in its right, title, and/or interest in and to any Equipment Group, the Rental Payments and other amounts due with respect thereto, and the rights granted under this Lease relating thereto, such participants shall be considered to be Lessor with respect to their participated shares thereof.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Lease nor Lessee's interest in the Equipment may be assigned by Lessee without the written consent of Lessor. However, the Equipment may be subleased by Lessee, in whole or in part, without the consent of Lessor, subject, however, to each of the following conditions:

- (i) This Lease and the obligation of Lessee to make Rental Payments hereunder, shall remain obligations of Lessee.
- (ii) The sublessee shall assume the obligations of Lessee hereunder to the extent of the interest subleased.
- (iii) Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to Lessor a true and complete copy of such sublease.
- (iv) No sublease by Lessee shall cause the Equipment to be used for a purpose other than a governmental function authorized under the provisions of the Constitution and laws of the State.
- (v) No sublease shall cause the Interest component of the Rental Payments due with respect to the Equipment to become includible in gross income of the recipient for federal income tax purposes.

Section 11.3. Restriction on Mortgage or Sale of Equipment by Lessee. Except as provided in Section 11.2, Lessee will not mortgage, sell, assign, transfer or convey the Equipment or any portion thereof during the Term of this Lease, or remove the same from its boundaries, without the written consent of Lessor.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be "events of default" under this Lease with respect to any Equipment Group and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, with respect to any Equipment Group, any one or more of the following events:

(i) Failure by Lessee to pay Rental Payment or other payment required to be paid under this Lease with respect to any Equipment Group at the time specified herein and the continuation of said failure for a period of three (3) days after telephonic or telegraphic notice given by Lessor that the payment referred to in such notice has not been received, such telephonic or telegraphic notice to be subsequently confirmed in writing, or after written notice.

(ii) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed with respect to any Equipment Group, other than as referred to in Clause (i) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by Lessee of a voluntary petition in bankruptcy, or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its governmental function or adjudication of Lessee as a bankrupt, or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

The provisions of this Section 12.1 and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to any Equipment Group, other

than its obligation to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from its negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Lessee from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Lessee unfavorable to Lessee.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have happened and be continuing with respect to any Equipment Group, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(i) Lessor, with or without terminating this Lease with respect to such Equipment Group, may declare all Rental Payments due or to become due with respect to such Equipment Group during the Fiscal Year in effect when the default occurs to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable.

(ii) Lessor, with or without terminating this Lease with respect to such Equipment Group, may repossess the Equipment Group by giving Lessee written notice to deliver such Equipment group to Lessor, whereupon Lessee shall do so in the manner provided in Section 12.3; or in the event Lessee fails to do so within ten (10) days after receipt of such notice, Lessor may enter upon Lessee's premises where the Equipment Group is kept and take possession of the Equipment Group and charge Lessee for costs incurred in repossessing the Equipment Group, including reasonable attorneys' fees. Lessee hereby expressly waives any damages occasioned by such repossession. If the Equipment Group or any portion of it has been destroyed or damaged beyond repair, Lessee shall pay the applicable Purchase Option Price of the Equipment Group, as set forth in Exhibit B (less credit for Net Proceeds), to Lessor. Notwithstanding the fact that Lessor has taken possession of the Equipment Group, Lessee shall continue to be responsible for the Rental Payments due with respect thereto during the Fiscal Year then in effect. If this Lease has not been terminated with respect to such Equipment Group, Lessor shall return the Equipment to Lessee at Lessee's expense when the event of default is cured.

(iii) If Lessor terminates this Lease with respect to such Equipment Group and takes possession of such Equipment contained therein, Lessor shall within thirty (30) days thereafter use its best efforts to sell such Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws. Lessor shall apply the proceeds of such sale to pay the following items in the following order: (a) all costs incurred in securing possession of the Equipment Group; (b) all expenses incurred in completing the sale; (c) the applicable Purchase Option Price; (d) the balance of any Rental Payments with respect to such Equipment Group owed by Lessee during the Fiscal Year then in effect. Any Sale proceeds remaining after the requirements of Clauses (a), (b), (c) and (d) have been met may be retained by Lessor.

(iv) If the proceeds of sale of such Equipment Group are not sufficient to pay the balance of any Rental Payments with respect thereto owed by Lessee during the Fiscal Year then in effect, Lessor may take any other remedy available at law or in equity to require Lessee to perform any of its obligations hereunder.

Section 12.3. Return of Equipment. Upon the Expiration or termination of this Lease with respect to any Equipment Group prior to the payment of all Rental Payments in accordance with Exhibit B, Lessee shall return such Equipment Group to Lessor in the condition, repair, appearance and working order required in Section 7.2, in the following manner as may be specified by Lessor: (i) by delivering the Equipment Group at Lessee's cost and expense to such place within the State as Lessor shall specify; or (ii) by loading such portions of the Equipment Group as are considered movable at Lessee's cost and expense, on board such carrier as Lessor shall specify and shipping the same, freight prepaid, to the place specified by Lessor. If Lessee refuses to return the Equipment Group in the manner designated, Lessor may repossess the Equipment Group and charge to Lessee the costs of such repossession or pursue any remedy described in Section 12.2.

Section 12.4. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by Lessor or its assignee.

Section 12.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys and/or incur other expenses for the collection of moneys or for the enforcement of expenses for the collection of moneys or for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fee of such attorneys and/or such other reasonable expenses so incurred by the nondefaulting party. In the event that legal proceedings relating to this Lease (but not evidencing an action by a nondefaulting party against a defaulting party) are commenced in any court or before any other tribunal of competent jurisdiction, the legal fees and other reasonable costs and expenses of the prevailing party shall be paid by the

nonprevailing party on demand of the prevailing party.

Section 12.6. Late Charge. Whenever any event of default referred to in Section 12.1, Clause (i) hereof shall have happened and be continuing with respect to any Equipment Group, Lessor shall have the right, at its option and without any further demand or notice, to require a late payment charge for each thirty (30) day period or part thereof during which such event of default occurs equal to four percent (4%) of the delinquent amount, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor; provided, however, that this Section 12.6 shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

ARTICLE XIII

ADMINISTRATIVE PROVISIONS

Section 13.1. Notices. All notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified on the first page hereof; provided that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinions or other communications will be sent.

Section 13.2. Financial Information. During the Term of this Lease, Lessee annually will provide Lessor with current financial statements, budgets, proof of appropriation for the ensuing Fiscal Year and such other financial information relating to the ability of Lessee to continue this Lease as may be requested by Lessor or its assignee.

Section 13.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by Lessor and Lessee.

Section 13.6. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles, Sections or Clauses of this Lease.

Section 13.7. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, 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 correcting any inadequate or incorrect description of the Equipment hereby leased or intended so to be, or for otherwise carrying out the expressed intention of this Lease.

Section 13.8. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.9. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, Lessor has caused this Lease to be executed in its corporate name by its duly authorized officer; and Lessee has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

GELCO FINANCE CORPORATION, Lessor

By _____

Its _____

CITY OF BETHEL, Lessee

By X _____

Its X _____

EXHIBIT A

VEHICLE DESCRIPTION

The Vehicle(s) described below is(are) the subject of the attached Lease with Option to Purchase Agreement:

| Exhibit Unit | Description | VIN |
|--------------|------------------|-----|
| 00001 02647 | FORD F150 PICKUP | |

SCHEDULE OF RENTAL PAYMENTS RELATING
TO VEHICLES/EQUIPMENT DESCRIBED ON EXHIBIT A, NUMBERED 1

Rental Payments and Option to Purchase Schedule

| PMT NO.* | PAYMENT DATE* | TOTAL PAYMENT* | PRINCIPAL COMPONENT* | INTEREST COMPONENT* | PURCHASE OPTION PRICE** |
|----------|---------------|------------------|----------------------|---------------------|-------------------------|
| 1 | | 453.98 | 453.98 | 0.00 | 14,543.42 |
| 2 | | 453.98 | 357.18 | 96.80 | 14,162.15 |
| 3 | | 453.98 | 359.64 | 94.34 | 13,778.99 |
| 4 | | 453.98 | 362.11 | 91.87 | 13,393.90 |
| 5 | | 453.98 | 364.60 | 89.38 | 13,006.89 |
| 6 | | 453.98 | 367.11 | 86.87 | 12,617.94 |
| 7 | | 453.98 | 369.63 | 84.35 | 12,227.05 |
| 8 | | 453.98 | 372.17 | 81.81 | 11,834.21 |
| 9 | | 453.98 | 374.73 | 79.25 | 11,439.40 |
| 10 | | 453.98 | 377.31 | 76.67 | 11,042.62 |
| 11 | | 453.98 | 379.90 | 74.08 | 10,643.85 |
| 12 | | 453.98 | 382.51 | 71.47 | 10,243.09 |
| 13 | | 453.98 | 385.14 | 68.84 | 9,840.33 |
| 14 | | 453.98 | 387.79 | 66.19 | 9,435.55 |
| 15 | | 453.98 | 390.46 | 63.52 | 9,028.74 |
| 16 | | 453.98 | 393.14 | 60.84 | 8,619.91 |
| 17 | | 453.98 | 395.84 | 58.14 | 8,209.03 |
| 18 | | 453.98 | 398.57 | 55.41 | 7,796.09 |
| 19 | | 453.98 | 401.31 | 52.67 | 7,381.09 |
| 20 | | 453.98 | 404.06 | 49.92 | 6,964.02 |
| 21 | | 453.98 | 406.84 | 47.14 | 6,544.86 |
| 22 | | 453.98 | 409.64 | 44.34 | 6,123.60 |
| 23 | | 453.98 | 412.46 | 41.52 | 5,700.24 |
| 24 | | 453.98 | 415.29 | 38.69 | 5,274.76 |
| 25 | | 453.98 | 418.15 | 35.83 | 4,847.16 |
| 26 | | 453.98 | 421.02 | 32.96 | 4,417.41 |
| 27 | | 453.98 | 423.92 | 30.06 | 3,985.52 |
| 28 | | 453.98 | 426.83 | 27.15 | 3,551.47 |
| 29 | | 453.98 | 429.77 | 24.21 | 3,115.24 |
| 30 | | 453.98 | 432.72 | 21.26 | 2,676.84 |
| 31 | | 453.98 | 435.69 | 18.29 | 2,236.24 |
| 32 | | 453.98 | 438.69 | 15.29 | 1,793.45 |
| 33 | | 453.98 | 441.71 | 12.27 | 1,348.43 |
| 34 | | 453.98 | 444.74 | 9.24 | 901.20 |
| 35 | | 453.98 | 447.80 | 6.18 | 451.72 |
| 36 | | 453.98 | 451.05 | 2.93 | 0.00 |
| | | <u>16,343.28</u> | <u>14,533.50</u> | <u>1,809.78</u> | |

* Per Individual Vehicle/Equipment.
** After payment of Rental payment due opposite Purchase Option Price.

EXHIBIT C
CERTIFICATE OF ACCEPTANCE

I, the undersigned, hereby certify that I am the duly qualified and acting X of CITY OF BETHEL, (Lessee); and, with respect to the Lease with Option to Purchase Agreement dated August 25, 1989 (the Lease), by and between Lessor and CITY OF BETHEL (Lessee), that:

1. The equipment described in the Lease listed on Exhibit A, page A-___ through A-___ (the Equipment Group) has been delivered and installed in accordance with Lessee's Specifications (as that term is defined in the Lease) and has been accepted by Lessee.

2. The rental payments provided for on the page of Exhibit B to the Lease relating to such Equipment Group (the Rental Payments) shall commence and be due and payable on X and the first of each month thereafter, in the amounts and on the dates shown on such page of Exhibit B to the Lease.

3. Lessee has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Rental Payments required to be paid under the Lease during the current fiscal year of Lessee, and such moneys will be applied in payment of all such Rental Payments due and payable during such current fiscal year.

4. Lessee has obtained from a reputable insurance company qualified to do business in the state of Alaska (the State) insurance with respect to, all risks required to be covered thereby pursuant to Article VI of the Lease.

5. Lessee is exempt from all personal property taxes, and is (exempt from) (subject to) ^(*) sales and/or use taxes with respect to the Equipment Group and the Rental Payments.

6. During the Lease Term (as defined in the Lease) the Equipment Group will be used by Lessee to perform essential governmental functions. Such functions are:

X

7. There is no litigation, action, suit, or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease; the proper authorization, approval and execution of the Lease and other documents contemplated thereby; the appropriation of moneys, or any other action taken by Lessee to provide moneys, sufficient to make Rental payments coming due under the Lease in Lessee's current fiscal year; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.

Dated: X, 19__

CITY OF BETHEL, Lessee

By X_____

Its X_____

(*) Strike inapplicable term

PLEASE SEND COPY ON ATTORNEY'S LETTERHEAD.

EXHIBIT D
OPINION OF COUNSEL

CITY OF BETHEL
P.O. Box 388
Bethel, AK 99559

Gelco Finance Corporation
Three Gelco Drive
Eden Prairie, MN 55344

RE: Lease with Option to Purchase Agreement dated as of August 25, 1989 by and between Gelco Finance Corporation, (Lessor), and CITY OF BETHEL (Lessee).

Gentlemen:

I have acted as counsel to Lessee with respect to the Lease with Option to Purchase Agreement described above (the Lease) and various related matters, and in this capacity have reviewed a duplicate original or certified copy of the Lease and the Exhibits attached thereto. Based upon the examination of these and such other documents as I deem relevant, it is my opinion that:

1. Lessee is a municipal corporation and political subdivision of the state of Alaska (the State), duly organized, existing and operating under the Constitution and laws of the State.
2. Lessee is authorized and has power under applicable law to enter into the Lease, and to carry out its obligations thereunder and the transactions contemplated thereby.
3. The Lease has been duly authorized, approved, executed and delivered by and on behalf of Lessee, and is a valid and binding contract of Lessee enforceable in accordance with its terms, except to the extent limited by State and Federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditor's rights.
4. The authorization, approval and execution of the Lease and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all applicable open meeting, public bidding and all other laws, rules and regulations of the State.
5. The execution of the Lease and the appropriation of moneys to pay the Rental Payments coming due thereunder do not result in the violation of any constitutional, statutory or other limitation relating to the manner, form or amount of indebtedness which may be incurred by Lessee.
6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease; the proper authorization, approval and/or execution of the Lease, Exhibits thereto and other documents contemplated thereby; the appropriation of moneys to make Rental Payments under the Lease for the current fiscal year of Lessee; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.
7. Resolution No. _____ of the governing body of Lessee, was duly and validly adopted by such governing body on _____, 19____, and such resolution has not been amended or repealed and remains in full force and effect.

Dated: _____

Very truly yours,

PLEASE TYPE NAME AND TITLE UNDER SIGNATURE.

EXHIBIT E
RESOLUTION RELATING TO LEASE
WITH OPTION TO PURCHASE AGREEMENT

(EQUIPMENT GROUP A-____)

BE IT RESOLVED by the governing body of CITY OF BETHEL (the Issuer), as follows:

Section 1. Recitals and Authorization. The Issuer, as lessee, has heretofore entered into a Lease with Option to Purchase Agreement dated as of August 25, 1989 (the Lease), with Gelco Finance Corporation, as lessor. It is hereby determined that it is necessary and desirable and in the best interests of the Issuer to enter into the Lease for the purposes of obtaining the Equipment shown on the Lease as Equipment A-____, and the execution and delivery of the Lease by the Issuer are the financing of the acquisition of such Equipment Group are hereby approved, ratified and confirmed.

Section 2. Designation as Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(i) of the Internal Revenue Code of 1986 (the Code), the Issuer hereby specifically designates the Lease and Equipment Group A-____ as a "qualified tax-exempt obligation" for purposes of Section 265(b) (3) of the Code. In compliance with Section 265(b)(3)(D) of the Code, the Issuer hereby represents that the Issuer will not designate more than \$10,000,000 of obligations issued by the Issuer in the calendar year during which the Lease is executed and delivered as such "qualified tax-exempt obligations."

Section 3. Issuance Limitation. In compliance with the requirements of Section 265(b)(3)(C) of the Code, the Issuer hereby represents that the Issuer (including all "subordinate entities" of the Issuer within the meaning of Section 265(b)(3)(E) of the Code) reasonably anticipates not to issue in the calendar year during which the Lease is executed and delivered, obligations bearing interest exempt from federal income taxation under Section 103 of the Code (other than "private activity bonds" as defined in Section 141 of the Code) in an amount greater than \$10,000,000.]

X _____
Chairperson

Attest:

X _____



GE Capital

GE Capital Fleet Services
A unit of General Electric Capital Corporation
Three Galco Drive Eden Prairie MN 55344
612 829-1000

August 25, 1989

CITY OF BETHEL
P.O. Box 388
Bethel, AK 99559

RE: Lease with Option to Purchase Agreement dated August 25, 1989,
Form 8038 filing.

Dear Mr. Amarock:

Enclosed is IRS Form 8038 Consolidated Information Return for the above referenced tax exempt financing. The law requires that the form be completed and filed with the IRS on a timely basis. The penalty for not promptly filing the form with the IRS is the loss of the tax-exempt status of the transaction.

For your convenience, we have completed basic information for filing the 8038. You should complete or confirm line item 2, Issuer's Employer Identification Number. The form should then be signed, dated, and returned to us as soon as possible. Upon receipt, we will forward the original to the IRS. Please retain a copy for your records.

If you have any questions, please contact me at (612) 828-1728.

Sincerely,

Pat Snell
Municipal Operations Assistant

enclosure

8038-GC

Consolidated Information Return for Small Tax-Exempt Governmental Bond Issues

(May 1987)

Department of the Treasury Internal Revenue Service

Under Section 149(e)

For calendar year ending 19.....

(Use Form 8038-G if issue price of the issue is \$100,000 or more.)

OMB No. 1545-0720 Expires 02/28/90

Part I Reporting Authority

1 Issuer's name

City of Bethel

Check box if Amended Return

2 Issuer's employer identification number

3 Number and street

P.O. Box 388

4 City or town, state, and ZIP code

Bethel, AK 99559

Part II Description of Bonds

5 Total issue price of all bonds issued as part of an issue, the issue price of which is less than \$100,000

5

6 Check box that most nearly approximates the weighted average maturity of the bonds:

- a Less than 5 years
b From 5 to 10 years
c More than 10 years

7 Check box that most nearly approximates the weighted average interest rate on the bonds:

- a Less than 5%
b From 5% to 10%
c More than 10%

8 Total issue price of the bonds reported on line 5 that are:

a Bonds issued in the form of a lease or installment sale

8a

b Bonds designated by the issuer under section 265(b)(3)(B)(ii)

8b

c Bonds issued to refund prior issues

8c

d Loans made from the proceeds of another tax-exempt bond issue

8d

Please 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.

Signature of officer

Date

Title

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Changes You Should Note

If issuers of tax-exempt bonds must report certain information about bonds they issue. Issuers should use Form 8038-GC only if the issue price of the issue is under \$100,000. If the issue price is \$100,000 or more, issuers should use Form 8038-G, Information Return for Tax-Exempt Governmental Bond Issues. For private activity bonds, issuers should use Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues.

Workshop Reduction Act Notice

Ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

Purpose of Form

Form 8038-GC is to be used by issuers of tax-exempt governmental bonds to provide IRS with the information required by section 149(e) and to monitor the requirements of sections 141 through 150.

Who Must File

Each issuer must file a single Form 8038-GC for all tax-exempt governmental bond issues issued after December 31, 1985, with issue prices of less than \$100,000. Form 8038-G is filed to report each issue of governmental bonds with issue prices of \$100,000 or more.

When To File

File Form 8038-GC on or before February 15th after the close of the calendar year in which the issue is issued. Form 8038-GC must be completed based on the facts as of the close of the calendar year.

Where To File

Definitions

- A tax-exempt bond is an obligation issued as part of an issue the interest on which is exempt from tax under the Internal Revenue Code.
A tax-exempt governmental bond is a tax-exempt bond that is not a private activity bond.
A private activity bond is generally a bond issued as part of an issue of which:

- (1) more than 10% of the proceeds are to be used for any private business use; and
(2) more than 10% of the payment of the principal or interest either is secured by an interest in property to be used for a private business use (or payments in respect of such property) or is to be derived from payments in respect of property (or borrowed money) used for a private business use. A bond will also be considered a private activity bond if the amount of the



GE Capital Fleet Services
A unit of General Electric Capital Corporation
Three Gelco Drive, Eden Prairie, MN 55344
612 828-1000

TO: Lessee's Insurance Agent

RE: Lease with Option to Purchase Agreement by and between GELCO FINANCE CORPORATION, as Lessor, and the CITY OF BETHEL, dated August 25, 1989.

Pursuant to Article VI of the above-referenced Agreement, Lessee will provide to Lessor evidence of Insurance Coverage. AN ACORD CERTIFICATE OF INSURANCE which names all Insured Parties, as well as dollar amounts of coverages, must be delivered to Lessor's place of business as soon as possible, but no later than the date on which delivery of equipment occurs.

In the case of self-insurance, the amounts of liability and physical damage coverage are to be listed on some form of certificate supplied by the Lessee's self-insurance office. In addition, a separate letter from the Lessee acknowledging financial responsibility in the event of loss is required.

INSURANCE REQUIREMENTS:

1. **Liability** - Minimum of \$1,000,000 combined single-limit on bodily injury and property damage. Gelco Finance Corporation must be listed as ADDITIONAL INSURED.
2. **Physical Damage** - Risk coverage to guarantee proceeds sufficient to pay the applicable Purchase Option Price as set forth in Exhibit B of the Agreement. Lessor, Gelco Finance Corporation must be named as ADDITIONAL INSURED AND LOSS PAYEE.
3. **Worker's Compensation** - Lessee will carry insurance covering all Employees on, in, near or about the Equipment. Gelco Finance Corporation must be named as ADDITIONAL INSURED.
4. **Endorsement** - Lessor will receive at least ten (10) days written notice from Insurer prior to alteration, cancellation or reduction of insurance coverage.

The Additional Insured and Loss Payee information is on the attached sample of the Certificate of Insurance. Please forward the completed Certificate of Insurance to Gelco Finance Corporation as soon as possible. If you should have any questions do not hesitate to contact Pat Snell at (612) 828-1728.

PRODUCER

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT ALTER, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY LETTER A

COMPANY LETTER B

COMPANY LETTER C

COMPANY LETTER D

COMPANY LETTER E

INSURED

COVERAGES

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES.

| CO LTR | TYPE OF INSURANCE | POLICY NUMBER | POLICY EFFECTIVE DATE (MM/DD/YY) | POLICY EXPIRATION DATE (MM/DD/YY) | LIABILITY LIMITS IN THOUSANDS | | |
|-----------|--|---------------|-------------------------------------|--------------------------------------|---|-------------------------|----|
| | | | | | EACH OCCURRENCE | AGGREGATE | |
| | GENERAL LIABILITY | | | | | | |
| | <input type="checkbox"/> COMPREHENSIVE FORM | | | | <input type="checkbox"/> BODILY INJURY | \$ | \$ |
| | <input type="checkbox"/> PREMISES/OPERATIONS UNDERGROUND EXPLOSION & COLLAPSE HAZARD | | | | <input type="checkbox"/> PROPERTY DAMAGE | \$ | \$ |
| | <input type="checkbox"/> PRODUCTS/COMPLETED OPERATIONS | | | | <input type="checkbox"/> BI & PD COMBINED | \$ | \$ |
| | <input type="checkbox"/> CONTRACTUAL | | | | <input type="checkbox"/> PERSONAL INJURY | \$ | \$ |
| | <input type="checkbox"/> INDEPENDENT CONTRACTORS | | | | | | |
| | <input type="checkbox"/> BROAD FORM PROPERTY DAMAGE | | | | | | |
| | <input type="checkbox"/> PERSONAL INJURY | | | | | | |
| | AUTOMOBILE LIABILITY | | | | | | |
| | <input type="checkbox"/> ANY AUTO | | | | <input type="checkbox"/> BODILY INJURY (PER PERSON) | \$ | |
| | <input type="checkbox"/> ALL OWNED AUTOS (PRIV PASS) | | | | <input type="checkbox"/> BODILY INJURY (PER ACCIDENT) | \$ | |
| | <input type="checkbox"/> ALL OWNED AUTOS (OTHER THAN PRIV PASS) | | | | <input type="checkbox"/> PROPERTY DAMAGE | \$ | |
| | <input type="checkbox"/> HIRED AUTOS | | | | <input type="checkbox"/> BI & PD COMBINED | \$ | |
| | <input type="checkbox"/> NON-OWNED AUTOS | | | | | | |
| | <input type="checkbox"/> GARAGE LIABILITY | | | | | | |
| | EXCESS LIABILITY | | | | | | |
| | <input type="checkbox"/> UMBRELLA FORM | | | | <input type="checkbox"/> BI & PD COMBINED | \$ | \$ |
| | <input type="checkbox"/> OTHER THAN UMBRELLA FORM | | | | | | |
| | WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY | | | | | | |
| | <input type="checkbox"/> STATUTORY | | | | \$ | (EACH ACCIDENT) | |
| | <input type="checkbox"/> | | | | \$ | (DISEASE-POLICY LIMIT) | |
| | <input type="checkbox"/> | | | | \$ | (DISEASE-EACH EMPLOYEE) | |
| | OTHER | | | | | | |

SAMPLE

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

CERTIFICATE HOLDER

ADDITIONAL INSURED AND LOSS PAYEE:

Gelco Finance Corporation
Three Gelco Drive
Eden Prairie, MN 55344

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE