

**Lessee:**  
City of Lincoln  
555 South 10th Street  
Lincoln, Nebraska 68508

**Lessor:**  
Kansas State Bank of Manhattan  
1010 Westloop, P.O. Box 69  
Manhattan, Kansas 66505-0069

**Dated as of May 10, 2005**

This Lease With Option to Purchase Agreement dated as of the date listed above is between Lessor and Lessee listed directly above. Lessor desires to finance the purchase of the Equipment described in Exhibit "A" to Lessee and Lessee desires to finance the purchase of the Equipment from Lessor subject to the terms and conditions of this Agreement which are set forth below.

**I. Definitions:**

**Section 1.01. Definitions.** The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"Additional Schedule" refers to the proper execution of additional Schedules to Exhibit A, Exhibit B, Exhibit C and Exhibit D as well as other exhibits or documents that may be required by the Lessor all of which relate to a lease of additional Equipment.

"Agreement" means this Lease with Option to Purchase Agreement and all Exhibits attached hereto.

"Budget Year" means the Lessee's fiscal year.

"Commencement Date" is the date when Lessee's obligation to pay rent begins.

"Equipment" means all of the items of Equipment listed on Exhibit "A" and all replacements, restorations, modifications and improvements.

"Legally Available Funds" means funds that the governing body of Lessee duly appropriates or are otherwise legally available for the purpose of making Rental Payments under this Agreement, including monies held in the Vendor Payable Account to the extent that such moneys are used to prepay Rental Payments or Purchase Option Price.

"Lessee" means the entity listed above as Lessee and which is leasing the Equipment from Lessor under the provisions of this Agreement.

"Lessor" means the entity originally listed above as Lessor or any of its assignees.

"Lease Term" means the Original Term and all Renewal Terms.

"Original Term" means the period from the Commencement Date until the end of the Budget Year of Lessee.

"Partial Prepayment Date" means the first Rental Payment date that occurs on or after the earlier of (a) the twenty-four month (24) anniversary of the Commencement Date or (b) the date on which Lessee has accepted all of the Equipment and all of the equipment has been paid for from the Vendor Payable Account.

"Purchase Price" means the total cost of the Equipment, including all delivery charges, installation charges, legal fees, financing costs, recording and filing fees and other costs necessary to vest full, clear legal title to the Equipment in Lessee, subject to the security interest granted to and retained by Lessor as set forth in this Agreement, and otherwise incurred in connection with the financing of this Equipment.

"Renewal Term" means the annual term which begins at the end of the Original Term and which is simultaneous with Lessee's Budget Year.

"Rental Payments" means the payments Lessee is required to make under this Agreement as set forth on Exhibit "B".

"State" means the state in which Lessee is located.

"Surplus Amount" means any amount on deposit in the Vendor Payable Account on the Partial Prepayment Date.

"Vendor Payable Account" means the separate account of that name established pursuant to Section X of this Agreement.

**II. Lessee Warranties**

**Section 2.01. Lessee represents, warrants and covenants as follows for the benefit of Lessor or its assignees:**

- (a) Lessee is an "issuer of tax exempt obligations" because Lessee is the State or a political subdivision of the State within the meaning of Section 103(a) of the Internal Revenue Code of 1986, as amended, (the "Code") or because Lessee is a constituted authority or district authorized to issue obligations on behalf of the State or political subdivision of the State within the meaning of Treasury Regulation 1.103-1(b).
- (b) Lessee is authorized under the Constitution and laws of the State to enter into this Agreement, and has used such authority to properly execute and deliver this Agreement. Lessee has followed all proper procedures of its governing body in executing this Agreement. The Officer of Lessee executing this Agreement has the authority to execute and deliver this Agreement. This Agreement constitutes a legal, valid, binding and enforceable obligation of the Lessee in accordance with its terms.
- (c) Lessee has complied with all statutory laws and regulations that may be applicable to the execution of this Agreement.
- (d) Lessee shall use the Equipment only for essential, traditional government purposes.
- (e) Should the IRS disallow the tax-exempt status of the Interest Portion of the Rental Payments as a result of the failure of the Lessee to use the Equipment for governmental purposes, then Lessee shall be required to pay additional sums to the Lessor or its assignees so as to bring the after tax yield to the same level as the Lessor or its assignees would attain if the transaction continued to be tax-exempt.
- (f) Should the Lessee cease to be an issuer of tax exempt obligations or if the obligation of Lessee created under this Agreement ceases to be a tax exempt obligation for any reason, then Lessee shall be required to pay additional sums to the Lessor or its assignees so as to bring the after tax yield on this Agreement to the same level as the Lessor or its assignees would attain if the transaction continued to be tax-exempt.
- (g) Lessee has never non-appropriated funds under an Agreement similar to this Agreement.
- (h) Lessee will submit to the Secretary of the Treasury an information reporting statement as required by the Code.
- (i) Upon request by Lessor, Lessee will provide Lessor with current financial statements, reports, budgets or other relevant fiscal information.
- (j) Lessee shall retain the Equipment free of any hazardous substances as defined in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et. seq. as amended and supplemented.
- (k) Lessee presently intends to continue this Agreement for the Original Term and all Renewal Terms as set forth on Exhibit "B" hereto. The official of Lessee responsible for budget preparation will include in the budget request for each Budget Year the Rental Payments to become due in such Budget Year, and will use all reasonable and lawful means available to secure the appropriation of money for such Budget Year sufficient to pay the Rental Payments coming due therein. Lessee reasonably believes that moneys can and will lawfully be appropriated and made available for this purpose.

**III. Acquisition of Equipment, Rental Payments and the Purchase Option Price**

**Section 3.01. Acquisition, Installation and Acceptance.** Lessee shall be solely responsible for the ordering of the Equipment and for the delivery and installation of the Equipment. Lessor shall have no liability for any delay in delivery or failure by the supplier to deliver any Equipment or to fill any purchase order. Lessee will pay or cause the supplier to pay all transportation, packing, taxes, duties, insurance, installation, testing and other charges in connection with the delivery, installation and use of the Equipment. As soon as practicable after the receipt of the Equipment, Lessee shall furnish Lessor with an Acceptance Certificate. Execution of the Acceptance Certificate by any employee, official or agent of Lessee having managerial, supervisory or procurement authority with respect to Equipment of the same general type as the Equipment shall constitute acceptance of the Equipment on behalf of the Lessee. By making a Rental Payment after its receipt of the Equipment pursuant to this Agreement, Lessee shall be deemed to have accepted the Equipment on the date of such Rental Payment for purposes of this Agreement. All Rental Payments paid prior to delivery of the Acceptance Certificate shall be credited to Rental Payments as they become due as shown on the Rental Payment Schedule attached as Exhibit B hereto.

**Section 3.02. Rental Payments.** Lessee shall pay Rental Payments exclusively to Lessor or its assignees in lawful, legally available money of the United States of America. The Rental Payments shall be sent to the location specified by the Lessor or its assignees. The Rental Payments shall be payable solely from Legally Available Funds, shall constitute a current expense of the Lessee and shall not constitute an indebtedness of the Lessee. The Rental Payments are due as set forth on Exhibit B. Lessor shall have the option to charge interest at the highest lawful rate on any Rental Payment received later than the due date for the number of days that the Rental Payment(s) were late, plus any additional accrual on the outstanding balance for the number of days that the Rental Payment(s) were late. Lessor shall also have the option, on monthly payments only, to charge a late fee of up to 10% of the monthly Rental Payment that is past due. The Rental Payments will be payable without notice or demand at the time and in the Amounts shown on Exhibit B.

**Section 3.03. Rental Payments Unconditional.** Except as provided under Section 4.01, THE OBLIGATIONS OF LESSEE TO MAKE RENTAL PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS CONTAINED IN THIS AGREEMENT SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE. Lessee understands and agrees that neither the manufacturer, seller or supplier of any Equipment, nor any salesman or other agent of any such manufacturer, seller or supplier, is an agent of Lessor. No salesman or agent of the manufacturer, seller or supplier of any Equipment is authorized to waive or alter any term or condition of this Agreement, and no representation as to Equipment or any other matter by the manufacturer, seller or supplier of any Equipment shall in any way affect Lessee's duty to pay the Rental Payments and perform its other obligations as set forth in this Agreement.

**Section 3.04. Purchase Option Price.** Upon thirty (30) days written notice, Lessee shall have the option to pay, in addition to the Rental Payment, the corresponding Purchase Option Price which is listed on the same line on Exhibit B. This option is only available to the Lessee on the Rental Payment date and no partial prepayments are allowed. If Lessee chooses this option and pays the Purchase Option Price to Lessor then Lessor will transfer any and all of its rights, title and interest in the Equipment to Lessee.

**Section 3.05. Lease Term.** The Lease Term of the Agreement shall be the Original Term and all Renewal Terms until all the Rental Payments are paid as set forth on Exhibit B except as provided under Section 4.01 and Section 9.01 below. If, after the end of the budgeting process which occurs at the end of the Original Term or any Renewal Term, Lessee has not non-appropriated as provided for in this Agreement then the Lease Term shall be extended into the next Renewal Term and the Lessee shall be obligated to make all the Rental Payments that come due during such Renewal Term.

**Section 3.06. Disclaimer of Warranties.** LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR ANY OTHER WARRANTY WITH RESPECT TO THE EQUIPMENT. LESSOR SHALL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE ARISING OUT OF THE INSTALLATION, OPERATION, POSSESSION, STORAGE OR USE OF THE EQUIPMENT BY LESSEE.

#### **IV. Non-Appropriation**

**Section 4.01. Non-Appropriation.** If insufficient funds are available in Lessee's budget for the next Budget Year to make the Rental Payments for the next Renewal Term and the funds to make such Rental Payments are otherwise unavailable by any lawful means whatsoever, then Lessee shall have the option to non-appropriate the funds to pay the Rental Payments for the next Renewal Term. Lack of a sufficient appropriation shall be evidenced by the passage of an ordinance or resolution by the governing body of Lessee specifically prohibiting Lessee from performing its obligations under this Agreement and from using any moneys to pay the Rental Payments due under this Agreement for a designated Budget Year and all subsequent Budget Years. If Lessee chooses this option, then all obligations of the Lessee under this Agreement regarding Rental Payments for all remaining Renewal Terms shall be terminated at the end of the then current Original Term or Renewal Term without penalty or liability to the Lessee of any kind provided that if Lessee has not delivered possession of the Equipment to Lessor as provided herein and conveyed to Lessor or released its interest in the Equipment by the end of the last Budget Year for which Rental Payments were paid, 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 Exhibit "B" which are attributable to the number of days after such Budget Year 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. Lessee shall immediately notify the Lessor as soon as the decision to non-appropriate is made. If such non-appropriation occurs, then Lessee shall deliver the Equipment to Lessor as provided below in Section 9.04. Lessee shall be liable for all damage to the Equipment other than normal wear and tear. If Lessee fails to deliver the Equipment to Lessor, then Lessor may enter the premises where the Equipment is located and take possession of the Equipment and charge Lessee for costs incurred.

#### **V. Insurance, Damage, Insufficiency of Proceeds**

**Section 5.01. Insurance.** Lessee shall maintain both casualty insurance and liability insurance at its own expense with respect to the Equipment. Lessee shall be solely responsible for selecting the insurer(s) and for making all premium payments and ensuring that all policies are continuously kept in effect during the period when Lessee is required to make Rental Payments. Lessee shall provide Lessor with a Certificate of Insurance which lists the Lessor and/or assigns as a loss payee and an additional insured on the policies with respect to the Equipment.

- (a) Lessee shall insure the Equipment against any loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Lessor in an amount at least equal to the then applicable Purchase Option Price of the Equipment. Alternatively, Lessee may insure the Equipment under a blanket insurance policy or policies.
- (b) The liability insurance shall insure Lessor from liability and property damage in any form and amount satisfactory to Lessor.
- (c) Lessee may self-insure against the casualty risks and liability risks described above. If Lessee chooses this option, Lessee must furnish Lessor with a certificate and/or other documents which evidences such coverage.
- (d) All insurance policies issued or affected by this Section shall be so written or endorsed such that the Lessor and its assignees are named additional insureds and loss payees and that all losses are payable to Lessee and Lessor or its assignees as their interests may appear. Each policy issued or affected by this Section shall contain a provision that the insurance company shall not cancel or materially modify the policy without first giving thirty (30) days advance notice to Lessor or its assignees. Lessee shall furnish to Lessor certificates evidencing such coverage throughout the Lease Term.

**Section 5.02. Damage to or Destruction of Equipment.** Lessee assumes the risk of loss or damage to the Equipment. If the Equipment or any portion thereof is lost, stolen, damaged, or destroyed by fire or other casualty, Lessee will immediately report all such losses to all possible insurers and take the proper procedures to attain all insurance proceeds. At the option of Lessor, Lessee shall either (1) apply the Net Proceeds to replace, repair or restore the Equipment or (2) apply the Net Proceeds to the applicable Purchase Option Price. For purposes of this Section and Section 5.03, the term Net Proceeds shall mean the amount of insurance proceeds collected from all applicable insurance policies after deducting all expenses incurred in the collection thereof.

**Section 5.03. Insufficiency of Net Proceeds.** If there are no Net Proceeds for whatever reason or if the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, restoration, modification or improvement of the Equipment, then Lessee shall, at the option of Lessor, either (1) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds or (2) apply the Net Proceeds to the Purchase Option Price and pay the deficiency, if any, to the Lessor.

**Section 5.04. Lessee Negligence.** Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Equipment and for injury to or death of any person or damage to any property 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 (including, without limitation, liabilities for loss or damage related to the release or threatened release of hazardous substances under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act or similar or successor law or any state or local equivalent now existing or hereinafter enacted which in any manner arise out of or are incident to any possession, use, operation, condition or storage of any Equipment by Lessee) which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding, based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

#### **VI. Title and Security Interest**

**Section 6.01. Title.** Title to the Equipment shall vest in Lessee when Lessee acquires and accepts the Equipment. Title to the Equipment will automatically transfer to the Lessor in the event Lessee non-appropriates under Section 4.01 or in the event Lessee defaults under Section 9.01. 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 the Equipment to Lessor.

**Section 6.02. Security Interest.** To secure the payment of all Lessee's obligations under this Agreement, Lessee hereby grants to Lessor a security interest under the Uniform Commercial Code constituting a first lien on the Equipment described more fully on Exhibit "A". The security interest established by this section includes not only all additions, attachments, repairs and replacements to the Equipment but also all proceeds therefrom.

#### **VII. Assignment**

**Section 7.01. Assignment by Lessor.** All of Lessor's rights, title and/or interest in and to this Agreement may be assigned and reassigned in whole or in part to one or more assignees or sub-assignees (including a Registered Owner for Lease Participation Certificates) by Lessor at any time without the consent of Lessee. No such assignment shall be effective as against Lessee until the assignor shall have filed with Lessee written notice of assignment identifying the assignee. Lessee shall pay all Rental Payments due hereunder relating to such Equipment to or at the direction of Lessor or the assignee named in the notice of assignment. Lessee shall keep a complete and accurate record of all such assignments.

**Section 7.02. Assignment by Lessee.** None of Lessee's right, title and interest under this Agreement and in the Equipment may be assigned by Lessee unless Lessor approves of such assignment in writing before such assignment occurs and only after Lessee first obtains an opinion from nationally recognized counsel stating that such assignment will not jeopardize the tax-exempt status of the obligation.

#### **VIII. Maintenance of Equipment**

**Section 8.01.** Lessee shall keep the Equipment in good repair and working order. Lessor shall have no obligation to inspect, test, service, maintain, repair or make improvements or additions to the Equipment under any circumstances. Lessee will be liable for all damage to the Equipment, other than normal wear and tear, caused by Lessee, its employees or its agents. Lessee shall pay for and obtain all permits, licenses and taxes necessary for the installation, operation, possession, storage or use of the Equipment. If the Equipment includes any titled vehicle(s), then Lessee is responsible for obtaining such title(s) from the State and also for ensuring that Lessor is listed as First Lienholder on all of the title(s). Lessee shall not use the Equipment to haul, convey or transport hazardous waste as defined in the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. seq. Lessee shall not during the term of this Agreement create, incur or assume any levies, liens or encumbrances of any kind with respect to the Equipment except those created by this Agreement. Lessee agrees that Lessor or its Assignee may execute such additional documents including financing statements, affidavits, notices, and similar instruments, for and on behalf of Lessee which Lessor deems necessary or appropriate to protect Lessor's interest in the Equipment and in this Agreement. The Equipment is and shall at all times be and remain personal property. Lessee shall allow Lessor to examine and inspect the Equipment at all reasonable times.

## **IX. Default**

**Section 9.01. Events of Default defined.** The following events shall constitute an "Event of Default" under this Agreement:

- (a) Failure by Lessee to pay any Rental Payment listed on Exhibit "B" for fifteen (15) days after such payment is due according to the Payment Date listed on Exhibit "B".
- (b) Failure to pay any other payment required to be paid under this Agreement at the time specified herein and a continuation of said failure for a period of fifteen (15) days after written notice by Lessor that such payment must be made. If Lessee continues to fail to pay any payment after such period, then Lessor may, but will not be obligated to, make such payments and charge Lessee for all costs incurred plus interest at the highest lawful rate.
- (c) Failure by Lessee to observe and perform any warranty, covenant, condition, promise or duty under this Agreement for a period of thirty (30) days after written notice specifying such failure is given to Lessee by Lessor, unless Lessor agrees in writing to an extension of time. Lessor will not unreasonably withhold its consent to an extension of time if corrective action is instituted by Lessee. Subsection (c) does not apply to Rental Payments and other payments discussed above.
- (d) Any statement, material omission, representation or warranty made by Lessee in or pursuant to this Agreement which proves to be false, incorrect or misleading on the date when made regardless of Lessee's intent and which materially adversely affects the rights or security of Lessor under this Agreement.
- (e) Any provision of this Agreement which ceases to be valid for whatever reason and the loss of such provision would materially adversely affect the rights or security of Lessor.
- (f) Lessee admits in writing its inability to pay its obligations. Lessee defaults on one or more of its other obligations. Lessee applies or consents to the appointment of a receiver or a custodian to manage its affairs. Lessee makes a general assignment for the benefit of creditors.

**Section 9.02. Remedies on Default.** Whenever any Event of Default exists, Lessor shall have the right to take one or any combination of the following remedial steps:

- (a) With or without terminating this Agreement, Lessor may declare all Rental Payments and other amounts payable by Lessee hereunder to the end of the then current Budget Year to be immediately due and payable.
- (b) With or without terminating this Agreement, Lessor may require Lessee at Lessee's expense to redeliver any or all of the Equipment to Lessor as provided below in Section 9.04. Such delivery shall take place within fifteen (15) days after the event of default occurs. If Lessee fails to deliver the Equipment, Lessor may enter the premises where the Equipment is located and take possession of the Equipment and charge Lessee for cost incurred. Notwithstanding that Lessor has taken possession of the Equipment, Lessee shall still be obligated to pay the remaining Rental Payments due up until the end of the then current Original Term or Renewal Term. Lessee will be liable for any damage to the Equipment caused by Lessee or its employees or agents.
- (c) Lessor may retain all amounts credited to the Vendor Payable Account and Lessee shall have no further interest therein.
- (d) Lessor may take whatever action at law or in equity that may appear necessary or desirable to enforce its rights. Lessee shall be responsible to Lessor for all costs incurred by Lessor in the enforcement of its rights under this Agreement including, but not limited to, reasonable attorney fees.

**Section 9.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or shall be construed to be a waiver thereof.

**Section 9.04. Return of Equipment and Storage.**

- (a) **Surrender:** The Lessee shall, at its own expense, surrender the Equipment to the Lessor in the event of a default or a non-appropriation by delivering the Equipment to the Lessor to a location accessible by common carrier and designated by Lessor. In the case that any of the Equipment consists of software, Lessee shall destroy all intangible items constituting such software and shall deliver to Lessor all tangible items constituting such software. At Lessor's request, Lessee shall also certify in a form acceptable to Lessor that Lessee has complied with the above software return provisions and that they will immediately cease using the software and that they shall permit Lessor and/or the vendor of the software to inspect Lessee's locations to verify compliance with the terms hereto.
- (b) **Delivery:** The Equipment shall be delivered to the location designated by the Lessor by a common carrier unless the Lessor agrees in writing that a common carrier is not needed. When the Equipment is delivered into the custody of a common carrier, the Lessee shall arrange for the shipping of the item and its insurance in transit in accordance with the Lessor's instructions and at the Lessee's sole expense. Lessee, at its expense, shall completely sever and disconnect the Equipment or its component parts from the Lessee's property all without liability to the Lessor. Lessee shall pack or crate the Equipment and all of the component parts of the Equipment carefully and in accordance with any recommendations of the manufacturer. The Lessee shall deliver to the Lessor the plans, specifications operation manuals or other warranties and documents furnished by the manufacturer or vendor on the Equipment and such other documents in the Lessee's possession relating to the maintenance and methods of operation of such Equipment.
- (c) **Condition:** When the Equipment is surrendered to the Lessor it shall be in the condition and repair required to be maintained under this Agreement. It will also meet all legal regulatory conditions necessary for the Lessor to sell or lease it to a third party and be free of all liens. If Lessor reasonably determines that the Equipment or an item of the Equipment, once it is returned, is not in the condition required hereby, Lessor may cause the repair, service, upgrade, modification or overhaul of the Equipment or an item of the Equipment to achieve such condition and upon demand, Lessee shall promptly reimburse Lessor for all amounts reasonably expended in connection with the foregoing.
- (d) **Storage:** Upon written request by the Lessor, the Lessee shall provide free storage for the Equipment or any item of the Equipment for a period not to exceed 60 days after the expiration of its lease term before returning it to the Lessor. The Lessee shall arrange for the insurance described to continue in full force and effect with respect to such item during its storage period and the Lessor shall reimburse the Lessee on demand for the incremental premium cost of providing such insurance.

## **X. Vendor Payable Account**

**Section 10.01. Establishment of Vendor Payable Account.** On the date that the Lessor executed this Agreement, which is on or after the date that the Lessee executes this Agreement, Lessor agrees to (i) make available to Lessee an amount sufficient to pay the total Purchase Price for the Equipment by establishing a separate, non-interest bearing account (the "Vendor Payable Account"), as agent for Lessee's account, with a financial institution that Lessor selects that is acceptable to Lessee (including Lessor or any of its affiliates) and (ii) to deposit an amount equal to such Purchase Price as reflected on Exhibit B in the Vendor Payable Account. Lessee hereby further agrees to make the representations, warranties and covenants relating to the Vendor Payable Account as set forth in Exhibit C attached hereto. Upon Lessee's delivery to Lessor of a Payment Request Form in the form set forth in Exhibit G attached hereto, Lessee authorizes Lessor to withdraw funds from the Vendor Payable Account from time to time to pay the Purchase Price, or a portion thereof, for each item of Equipment as it is delivered to Lessee. The Payment Request Form must be signed by an authorized individual acting on behalf of Lessee. The authorized individual or individuals designated by the Lessee must sign the Payment Request Form Signature Card which will be kept in the possession of the Lessor.

**Section 10.02. Down Payment.** Prior to the disbursement of any funds from the Vendor Payable Account, the Lessee must either (1) deposit all the down payment funds that the Lessee has committed towards the purchase of the Equipment into the Vendor Payable Account or (2) Lessee must provide written verification to the satisfaction of the Lessor that all the down payment funds Lessee has committed towards the purchase of the Equipment have already been spent or are simultaneously being spent with the funds requested from the initial Payment Request Form. For purposes of this Section, the down payment funds committed towards the Equipment from the Lessee are the down payment funds that were represented to the Lessor at the time this transaction was submitted for credit approval by the Lessee to the Lessor.

**Section 10.03. Disbursement upon Non-Appropriation.** If an Event of Non-appropriation occurs prior to the Partial Prepayment Date, the amount then on deposit in the Vendor Payable Account shall be retained by the Lessor and Lessee will have no interest therein.

**Section 10.04. Surplus Amount.** Any Surplus Amount then on deposit in the Vendor Payable Account on the Partial Prepayment Date shall be applied to pay on such Partial Prepayment Date a portion of the Purchase Option Price then applicable.

**Section 10.05. Recalculation of Rental Payments.** Upon payment of a portion of the Purchase Option Price as provided in Section 10.04 above, each Rental Payment thereafter shall be reduced by an amount calculated by Lessor based upon a fraction the numerator of which is the Surplus Amount and the denominator of which is the Purchase Option Price on such Partial Prepayment Date. Within 15 days after such Partial Prepayment Date, Lessor shall provide to Lessee a revised Exhibit B to this Agreement, which shall take into account such payment of a portion of the Purchase Option Price thereafter and shall be and become thereafter Exhibit B to this Agreement. Notwithstanding any other provision of this Section 10, this Agreement shall remain in full force and effect with respect to all or the portion of the Equipment accepted by Lessee as provided in this Agreement, and the portion of the principal component of Rental Payments remaining unpaid after the Partial Prepayment Date plus accrued interest thereon shall remain payable in accordance with the terms of this Agreement, including revised Exhibit B hereto which shall be binding and conclusive upon Lessor and Lessee.

## **XI. Miscellaneous**

**Section 11.01. Notices.** All notices shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at their respective places of business as first set forth herein or as the parties shall designate hereafter in writing.

**Section 11.02. Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon Lessee and Lessor and their respective successors and assigns.

**Section 11.03. Severability.** In the event any provision of this Agreement 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 11.04. Amendments, Addenda, Changes or Modifications.** This Agreement may be amended, added to, changed or modified by written agreement duly executed by Lessor and Lessee.

**Section 11.05. Execution in Counterparts.** This Agreement 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 11.06. Captions.** The captions or headings in this Agreement do not define, limit or describe the scope or intent of any provisions or sections of this Agreement.

**Section 11.07. Master Lease.** This Agreement can be utilized as a Master Lease Agreement. This means that the Lessor and the Lessee may agree to the lease of additional Equipment under this Agreement at some point in the future by executing one or more Additional Schedules to Exhibit A, Exhibit B, Exhibit C and Exhibit E as well as other exhibits

or documents that may be required by Lessor. Additional Schedules will be consecutively numbered on each of the exhibits which make up the Additional Schedule and all the terms and conditions of the Agreement shall govern each Additional Schedule.

Section 11.08. Entire Writing. This Agreement constitutes the entire writing between Lessor and Lessee. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, representations, conditions, or warranties, express or implied, which are not specified herein regarding this

Agreement or the Equipment leased hereunder. Any terms and conditions of any purchase order or other documents submitted by Lessee in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lessor and will not apply to this Agreement.

Lessor and Lessee have caused this Agreement to be executed in their names by their duly authorized representatives listed below.

**CITY OF LINCOLN**

**KANSAS STATE BANK OF MANHATTAN**

\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Signature

Coleen J. Seng, Mayor

**THAD J. HALL, VICE-PRESIDENT**

Typed Name and Title

Typed Name and Title

## EXHIBIT A

## DESCRIPTION OF EQUIPMENT

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

Below is a detailed description of all the items of Equipment including quantity, model number and serial number where applicable:

One (1) 2005 Elgin Eagle "F" Dual Sweeper

Physical Address of Equipment after Delivery: Street Operations 901 N 6th Lincoln NE 68508

Schedule (01)

## EXHIBIT B

## PAYMENT SCHEDULE

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

Date of First Payment:	July 30, 2005
Original Balance:	\$153,895.00
Total Number of Payments:	Four (4)
Number of Payments Per Year:	One (1)

Pmt No.	Due Date	Rental Payment	Applied to Interest	Applied to Principal	*Purchase Option Price
1	30-Jul-05	\$30,965.94	\$1,190.12	\$29,775.82	\$125,800.31
2	30-Jul-06	\$30,965.94	\$5,399.18	\$25,566.76	\$99,539.30
3	30-Jul-07	\$30,965.94	\$4,287.03	\$26,678.91	\$72,296.13
4	30-Jul-08	\$75,000.00	\$3,126.49	\$71,873.51	\$0.00

City of Lincoln

Signature

Coleen J. Seng, Mayor

Typed Name and Title

\*Assumes all Rental Payments due to date are paid

EXHIBIT C

ACCEPTANCE OF OBLIGATION  
TO COMMENCE RENTAL PAYMENTS UNDER EXHIBIT B

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

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I, the undersigned, hereby certify that I am a duly qualified representative of Lessee and that I have been given the authority by the governing body of Lessee to sign this Acceptance of Obligation to commence Rental Payments with respect to the above referenced Agreement. I hereby certify that:

1. The Equipment described on Exhibit A has not been delivered, installed or available for use as of the Commencement date of this Agreement.
2. Lessee acknowledges that Lessor has agreed to deposit into a Vendor Payable Account an amount sufficient to pay the total purchase price (the "Purchase Price") for the Equipment so identified in such Exhibit A;
3. The principal amount of the Rental Payments in the Exhibit B accurately reflects the Purchase Price;
4. Lessee agrees to execute a Payment Request Form authorizing payment of the Purchase Price, or a portion thereof, for each withdrawal of funds from the Vendor Payable Account.

Notwithstanding that the Equipment has not been delivered to or accepted by Lessee on the date of execution of the Agreement, Lessee hereby warrants that:

- (a) Lessee's obligation to commence Rental Payments as set forth in Exhibit B is absolute and unconditional as of the Commencement Date and on each date set forth in Exhibit B thereafter, subject to the terms and conditions of the Agreement;
- (b) immediately upon delivery and acceptance of all the Equipment, Lessee will notify Lessor of Lessee's final acceptance of the Equipment by delivering to Lessor the "Acceptance Certificate" in the form set forth in Exhibit F attached to the Agreement;
- (c) in the event that any Surplus Amount is on deposit in the Vendor Payable Account when an Event of Non-appropriation under the Agreement occurs, then those amounts shall be applied as provided in Section 10 of the Agreement;
- (d) regardless of whether Lessee delivers a final Acceptance Certificate, all Rental Payments paid prior to delivery of all the Equipment shall be credited to Rental Payments as they become due under the Agreement as set forth in Exhibit B.

City of Lincoln

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Signature

Coleen J. Seng, Mayor

Typed Name and Title

EXHIBIT D

LESSEE RESOLUTION

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

At a duly called meeting of the Governing Body of the Lessee (as defined in the Agreement) held on the following resolution was introduced and adopted:

BE IT RESOLVED by the Governing Body of Lessee as follows:

- 1. Determination of Need. The Governing Body of Lessee has determined that a true and very real need exists for the acquisition of the Equipment described on Exhibit A of the Lease With Option to Purchase Agreement dated as of May 10, 2005, between City of Lincoln (Lessee) and Kansas State Bank of Manhattan (Lessor).
2. Approval and Authorization. The Governing Body of Lessee has determined that the Agreement, substantially in the form presented to this meeting, is in the best interests of the Lessee for the acquisition of such Equipment, and the Governing Body hereby approves the entering into of the Agreement by the Lessee and hereby designates and authorizes the following person(s) to execute and deliver the Agreement on Lessee's behalf with such changes thereto as such person(s) deem(s) appropriate, and any related documents, including any Escrow Agreement necessary to the consummation of the transaction contemplated by the Agreement.

Authorized Individual(s): Coleen J. Seng, Mayor
(Printed or Typed Name and Title of individual(s) authorized to execute the Agreement)

- 3. Adoption of Resolution. The signatures below from the designated individuals from the Governing Body of the Lessee evidence the adoption by the Governing Body of this Resolution.

Signature:
(Signature of Secretary, Board Chairman or other member of the Governing Body)

Typed Name & Title: Coleen J. Seng, Mayor
(Typed Name and Title of individual who signed directly above)

Attested By:
(Signature of one additional person who can witness the passage of this Resolution)

Typed Name & Title:
(Typed Name and Title of individual who signed directly above)

EXHIBIT E

OFFICERS CERTIFICATE

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

I, the undersigned, hereby certify that I am a duly qualified representative of Lessee and that I have been given the authority by the governing body of Lessee to sign this Officers Certificate with respect to the above referenced Agreement. I hereby certify that:

- 1. 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 Agreement during the current Budget Year of Lessee, and such moneys will be applied in payment of all Rental Payments due and payable during such current Budget Year.
- 2. Lessee has obtained insurance coverage as required under the Agreement from an insurer qualified to do business in the State.
- 3. Lessee is exempt from all personal property taxes and is also exempt from sales and/or use taxes with respect to the Equipment and the Rental Payments.
- 4. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.
- 5. The governing body of Lessee has approved the authorization, execution and delivery of this Agreement on its behalf by the authorized representative of Lessee who signed the Agreement.
- 6. During the term of the Agreement, the Equipment will be used for essential governmental functions. Such functions are:

Residential and Arterial Sweeping

- 7. Please list the Source of Funds (Fund Item in Budget) for the Rental Payments that come due under Exhibit B of this Agreement.

Fleet Services Revolving - Business unit #79160

Object code #6074

- 8. Please state why you reasonably expect and anticipate that adequate funds will be available for all future Rental Payments that will come due under Exhibit B.

The city has never defaulted or non-appropriated

a lease or bond.

City of Lincoln

Signature

Coleen J. Seng, Mayor

Typed Name and Title



EXHIBIT F

CERTIFICATE OF ACCEPTANCE

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

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I, the undersigned, hereby certify that I am a duly qualified representative of Lessee and that I have been given the authority by the governing body of Lessee to sign this Certificate of Acceptance with respect to the above referenced Agreement. I hereby certify that:

1. The Equipment described on Exhibit A has been delivered and installed in accordance with Lessee's specifications.
2. Lessee has conducted such inspection and/or testing of the Equipment as it deems necessary and appropriate and hereby acknowledges that it accepts the Equipment for all purposes.
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 Agreement during the current Budget Year of Lessee, and such moneys will be applied in payment of all Rental Payments due and payable during such current Budget Year.
4. Lessee has obtained insurance coverage as required under the Agreement from an insurer qualified to do business in the State.
5. Lessee is exempt from all personal property taxes and is also exempt from sales and/or use taxes with respect to the Equipment and the Rental Payments.
6. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.
7. The governing body of Lessee has approved the authorization, execution and delivery of this Agreement on its behalf by the authorized representative of Lessee who signed the Agreement.

City of Lincoln

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

*Sign Later after  
receive  
equipment*

EXHIBIT G

PAYMENT REQUEST FORM  
VOID  
TO BE UTILIZED AS A SIGNATURE CARD ONLY

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

In accordance with Section 10.01, by executing this Payment Request Form the Lessee hereby represents that the Payee or Payees listed below who are requesting payment have delivered the Equipment or a portion of the Equipment or performed the services to the satisfaction of the Lessee and that the amounts requested above by the Payee or Payees are proportionate with the value of the Equipment delivered or services rendered by the Payee or Payees. The Lessee hereby represents and warrants for all purposes that:

1. Pursuant to the invoice attached hereto, the amount to be disbursed is \$ \_\_\_\_\_ and this amount is consistent with the Agreement between Lessee and Vendor.
2. Payment is to be made to: Payee: \_\_\_\_\_
3. Partial Disbursement. The undersigned certifies that the following documents are attached to this Payment Request Form when there is a request for a partial release of funds from the Vendor Payable Account to pay for a portion of the Equipment: (1) Invoice from the Vendor, (2) copy of the agreement between Lessee and Vendor (if requested by the Lessor), (3) front and back copy of the original MSO/Title (if payment from Vendor Payable Account is for a chassis) listing Kansas State Bank and/or its assigns as the first lien holder. By executing this Payment Request Form and attaching the documents as required above, the Lessee shall be deemed to have accepted this portion of the Equipment for all purposes under the Agreement, including, without limitation, the obligation of Lessee to make the Rental Payments with respect thereto in a proportionate amount of the total Rental Payment. By executing this Payment Request Form Lessee agrees that Lessee is the title owner to this portion of the Equipment and that in the event that any third party makes a claim to such title that Lessee will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to this portion of the Equipment and keep the Lease in full force and effect.
4. Final Disbursement. The undersigned certifies that the following documents are attached to this Payment Request Form when there is a final release of funds from the Vendor Payable Account: (1) Final Vendor Invoice, (2) Signed Acceptance Exhibit F of the Lease, (3) Insurance Certificate, (4) front and back copy of the original MSO/Title listing Kansas State Bank and/or its assigns as first lien holder (if not already received). By executing this Payment Request Form and attaching the documents as required above, the Lessee shall be deemed to have accepted the Equipment for all purposes under the Agreement, including, without limitation, the obligation of Lessee to make the Rental Payments with respect thereto. By executing this Payment Request Form Lessee certifies that Lessee is the title owner to the Equipment and that in the event that any third party makes a claim to such title that Lessee will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to the Equipment and keep the Lease in full force and effect.
5. No amount set forth in this Payment Request Form was included in any Payment Request Form previously submitted.
6. Each disbursement hereby requested has been incurred and is a proper charge against the Vendor Payable Account. No amount hereby requested to be disbursed will be paid to Lessee as reimbursement for any expenditure paid by Lessee more than 60 days prior to the date of execution and delivery of the Agreement.

Please forward this document and any correspondence relating to vendor payment to: Baystone Financial Group / Kansas State Bank of Manhattan, Attn: Documentation Dept. 2312 Anderson, Manhattan KS, 66502. Fax: 785-537-4806. Please call 800-752-3562 if you have any questions.

CITY OF LINCOLN

\_\_\_\_\_  
Signature

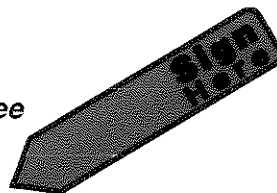
Coleen J. Seng, Mayor

\_\_\_\_\_  
Typed Name and Title

**Signature of additional authorized individual (optional) of Lessee**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title



## EXHIBIT G

## PAYMENT REQUEST FORM

**RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)**

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In accordance with Section 10.01, by executing this Payment Request Form the Lessee hereby represents that the Payee or Payees listed below who are requesting payment have delivered the Equipment or a portion of the Equipment or performed the services to the satisfaction of the Lessee and that the amounts requested above by the Payee or Payees are proportionate with the value of the Equipment delivered or services rendered by the Payee or Payees. The Lessee hereby represents and warrants for all purposes that:

1. Pursuant to the invoice attached hereto, the amount to be disbursed is \$ \_\_\_\_\_ and this amount is consistent with the Agreement between Lessee and Vendor.
2. Payment is to be made to: Payee: \_\_\_\_\_
3. Partial Disbursement. The undersigned certifies that the following documents are attached to this Payment Request Form when there is a request for a partial release of funds from the Vendor Payable Account to pay for a portion of the Equipment: (1) Invoice from the Vendor, (2) copy of the agreement between Lessee and Vendor (if requested by the Lessor), (3) front and back copy of the original MSO/Title (if payment from Vendor Payable Account is for a chassis) listing Kansas State Bank and/or its assigns as the first lien holder. By executing this Payment Request Form and attaching the documents as required above, the Lessee shall be deemed to have accepted this portion of the Equipment for all purposes under the Agreement, including, without limitation, the obligation of Lessee to make the Rental Payments with respect thereto in a proportionate amount of the total Rental Payment. By executing this Payment Request Form Lessee agrees that Lessee is the title owner to this portion of the Equipment and that in the event that any third party makes a claim to such title that Lessee will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to this portion of the Equipment and keep the Lease in full force and effect.
4. Final Disbursement. The undersigned certifies that the following documents are attached to this Payment Request Form when there is a final release of funds from the Vendor Payable Account: (1) Final Vendor Invoice, (2) Signed Acceptance Exhibit F of the Lease, (3) Insurance Certificate, (4) front and back copy of the original MSO/Title listing Kansas State Bank and/or its assigns as first lien holder (if not already received). By executing this Payment Request Form and attaching the documents as required above, the Lessee shall be deemed to have accepted the Equipment for all purposes under the Agreement, including, without limitation, the obligation of Lessee to make the Rental Payments with respect thereto. By executing this Payment Request Form Lessee certifies that Lessee is the title owner to the Equipment and that in the event that any third party makes a claim to such title that Lessee will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to the Equipment and keep the Lease in full force and effect.
5. No amount set forth in this Payment Request Form was included in any Payment Request Form previously submitted.
6. Each disbursement hereby requested has been incurred and is a proper charge against the Vendor Payable Account. No amount hereby requested to be disbursed will be paid to Lessee as reimbursement for any expenditure paid by Lessee more than 60 days prior to the date of execution and delivery of the Agreement.

Please forward this document and any correspondence relating to vendor payment to: Baystone Financial Group / Kansas State Bank of Manhattan, Attn: Documentation Dept. 2312 Anderson, Manhattan KS, 66502. Fax: 785-537-4806. Please call 800-752-3562 if you have any questions.

## CITY OF LINCOLN

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

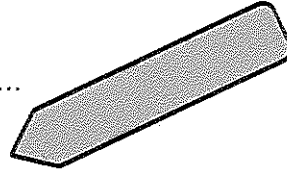
## LESSEE ACKNOWLEDGEMENT

RE: Lease With Option to Purchase Agreement dated as of May 10, 2005, between Kansas State Bank of Manhattan (Lessor) and City of Lincoln (Lessee)

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Lessee hereby acknowledges that it has ordered or caused to be ordered the equipment that is the subject of the above-mentioned Agreement.

Please complete the below information, attach another page if necessary...



Vendor Name: EDM Equipment  
Phone: (402) 434-5212  
Contact Person: Dax Boyte  
Equipment: 2005 Elgin Eagle "F" Dual Sweeper  
Amount of Equipment: \$153,895.00

Vendor Name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Equipment: \_\_\_\_\_  
Amount of Equipment: \_\_\_\_\_

Vendor Name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Equipment: \_\_\_\_\_  
Amount of Equipment: \_\_\_\_\_

**Lessee will immediately notify Lessor if any of the information listed above is changed.**