



EQUIPMENT LEASE-PURCHASE AGREEMENT

Lease No. 31282

Lessee: (Name and Address)

City of Redlands
1270 West Park Avenue
Redlands, CA 92373

Lessor: (Name and Address)

Associates Commercial Corporation
300 E. Carpenter Frwy
Irving, TX 75062

Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor the Equipment described in *Schedule A*, now or hereafter attached hereto, and all replacements, repairs, restorations, modifications and improvements thereof or hereof ("Equipment") in accordance with the following terms and conditions of this Equipment Lease-Purchase Agreement ("Lease").

1. TERM. This Lease will become effective upon the execution hereof by Lessor. The term of this Lease will commence on the Commencement Date set forth in *Schedule B* attached hereto and, unless earlier terminated as expressly provided for in this Lease, will terminate on the Termination Date set forth in *Schedule B* attached hereto (the "Lease Term").

2. RENT. Lessee agrees to pay to Lessor or its assignee the Lease Payments, including the interest portion, in lawful money of the United States of America, equal to the amounts specified in *Schedule B*. The Lease Payments will be payable without notice or demand at the office of Lessor (or such other place as Lessor or its assignee may from time to time designate in writing), and will commence on the first Lease Payment Date as set forth in *Schedule B* and thereafter on the subsequent dates set forth in *Schedule B*. Any payments received later than ten (10) days from the due date will bear interest at the highest lawful rate from the due date. As set forth on *Schedule B*, a portion of each Lease Payment is paid as, and represents payment of, interest. The obligation of Lessee to make the Lease Payments hereunder and perform all of its other obligations hereunder will be absolute and unconditional in all events and, except as set forth in *Section 6* hereof, will not be subject to any setoff, defense, counterclaim, abatement, deduction or recoupment for any reason whatsoever including, without limitation, any failure of the Equipment to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Equipment or any accident, condemnation or unforeseen circumstances. Lessee reasonably believes that funds can be obtained sufficient to make all Lease Payments during the Lease Term and hereby covenants that it will do all things lawfully within its powers to obtain, maintain and properly request and pursue funds from which the Lease Payments may be made, including making provisions for such payments to the extent necessary in each budget submitted for the purpose of obtaining funding, using its bona fide best efforts to have such portion of the budget approved and exhausting all available administrative reviews and appeals in the event such portion of the budget is not approved. It is Lessee's intent to make Lease Payments for the full Lease Term if funds are legally available therefor and in that regard Lessee represents that the use of the Equipment is essential to its proper, efficient and economic operation. Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Payments hereunder shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness of Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee.

3. DELIVERY AND ACCEPTANCE. Lessee shall order the Equipment, cause the Equipment to be delivered and installed at the location specified on *Schedule A* ("Equipment Location") and pay any and all delivery and installation costs in connection therewith. Lessee will accept the Equipment as soon as it has been delivered and inspected. Lessee will evidence its acceptance of the Equipment by executing and delivering to Lessor a Delivery and Acceptance Certificate (in the form provided by Lessor) upon delivery of the Equipment.

4. DISCLAIMER OF WARRANTIES. Lessee acknowledges and agrees that the Equipment is of a size, design and capacity selected by Lessee, that Lessor is neither a manufacturer nor a vendor of such equipment, that LESSOR LEASES AND LESSEE TAKES THE EQUIPMENT AND EACH PART THEREOF "AS-IS" AND THAT LESSOR MAKES NO REPRESENTATION, WARRANTY, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, QUALITY, DURABILITY, VALUE, DESIGN, OPERATION, SUITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OF THE EQUIPMENT IN ANY RESPECT WHATSOEVER OR AS TO THE ABSENCE OF LATENT OR OTHER

DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT OR ANY OTHER REPRESENTATION, WARRANTY, OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT THERETO. RISKS INCIDENT THERETO ARE TO BE BORNE BY LESSEE AND, IN NO EVENT SHALL LESSOR BE OBLIGATED OR LIABLE FOR ACTUAL, INCIDENTAL, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES OF OR TO LESSEE OR ANY OTHER PERSON OR ENTITY ARISING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF THE EQUIPMENT, THE MAINTENANCE THEREOF OR OF ANY SERVICES PROVIDED HEREIN. Lessee may have rights under the contract evidencing the purchase of the Equipment. Lessee is advised to contact the manufacturer of the Equipment for a description of any such rights. Lessor hereby assigns to Lessee during the Lease Term, so long as no Event of Default has occurred hereunder and is continuing, all warranties, if any, expressed or implied with respect to the Equipment, running from the manufacturer to Lessor and Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties at Lessee's expense. Lessee's sole remedy for the breach of any such manufacturer's warranty shall be against the manufacturer of the Equipment, and not against Lessor or its assigns. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties whatsoever as to the existence or the availability of such warranties of the manufacturer of the Equipment.

5. RETURN OF EQUIPMENT. Unless Lessee shall have paid all Lease Payments and other amounts due hereunder or exercised its option to purchase as provided in *Section 20* hereof, upon the expiration or earlier termination of this Lease pursuant to the terms hereof, Lessee shall, at its sole expense but at Lessor's option, return the Equipment to Lessor in the condition required by *Section 9* hereof at any location in the continental United States designated by Lessor.

6. ABATEMENT. In the event of damage, destruction or loss of use due to condemnation of the Equipment, Lessee's obligation to pay Lease Payments hereunder shall abate to the extent that such damage, destruction or loss of use substantially interferes with the use and right of possession of the Lessee of the Equipment, and Lessor shall be entitled to the benefits of *Section 13* hereof. In the event of abatement, the amount of abatement will be such that the resulting Lease Payments represent fair consideration for the use of the portions of the Equipment as to which damage, destruction, or loss of use, does not substantially interfere with the use and right of possession of Lessee. If a portion of the Lease Payments remain abated, the unabated Lease Payments shall continue to be due under the Lease and the abated portion of the Lease Payments shall be paid from rental interruption insurance proceeds or other legally available funds, if any. In the event of such damage, destruction or loss of use, this Lease shall continue in full force and effect.

Such abatement shall continue for the period commencing with such damage or destruction and ending with the completion of the work of repair or replacement of such Equipment to a usable condition. To the extent permitted by law, Lessee waives the benefits of Civil Code *Section 1932* and any and all other rights to terminate the Lease by virtue of any such damage, destruction or loss of use; provided, however, that such waiver shall not constitute a waiver of the abatement of Lease Payments as set forth in the preceding paragraph.

7. REPRESENTATIONS, COVENANTS AND WARRANTIES. Lessee hereby represents, covenants and warrants to Lessor as of the date hereof and at all times during the Lease Term that (i) Lessee is a state or a fully constituted political subdivision thereof within the meaning of *Section 103(a)* of the Internal Revenue Code of 1986, as amended (the "Code"), or its obligations hereunder constitute obligations issued on behalf of a state or a political subdivision thereof, and Lessee shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence and this Lease; (ii) Lessee has full power and authority under the constitution and laws of the state in which it is located to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder; (iii) each officer of Lessee executing this Lease has been duly authorized to execute and deliver this Lease by proper action and approval of its governing body at a meeting duly called, regularly convened and attended by a requisite majority of the members thereof, or by other appropriate official approval; (iv) the execution, delivery and performance of this Lease and all documents executed in connection herewith, including, without limitation, *Schedules A and B* hereto and the Delivery and Acceptance Certificate referred to in *Section 3* hereof (this Lease together with all such documents shall be collectively referred to herein as the "Lease Documents") have been duly authorized by all persons, governmental bodies and agencies necessary to authorize and approve this Lease; (v) the Lease Documents constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with their respective terms; (vi) the execution, delivery and performance of this Lease by Lessee shall not (a) violate any federal, state or local law or ordinance, or any judgment, order, writ, injunction, decree, rule or regulation of any court or other governmental agency or body applicable to Lessee; or (b) conflict with or result in the breach or violation of any term or provision of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance on any assets of the Lessee or the Equipment pursuant to any note, bond, mortgage, indenture, agreement, deed of trust, bank loan or credit agreement, lease or other obligation to which Lessee is a party

or by which it or its assets may be bound, except as herein provided; (vii) in authorizing and executing this Lease, Lessee has complied with all open meeting laws, public bidding requirements and other laws applicable to this Lease and the acquisition by Lessee of the Equipment; (viii) Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current fiscal year of the Lessee to make the Lease Payments scheduled to come due during such fiscal year, and such funds have not been expended for other purposes; (ix) the Equipment is essential to the function of the Lessee or to the service Lessee provides to its citizens and the Lessee has an immediate need for, and expects to make immediate use of, substantially all of the Equipment, which need is not temporary or expected to diminish in the foreseeable future; (x) no lease, rental agreement or contract for purchase to which Lessee has been a party at any time during the last five years, has been terminated by Lessee as a result of insufficient funds being appropriated in any fiscal year; (xi) the Equipment will be used by Lessee only for the purpose of performing one or more of Lessee's governmental or proprietary functions consistent with the permissible scope of Lessee's authority; (xii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or threatened against or affecting the Lessee, nor to the best knowledge of the Lessee is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Lease or any other document, agreement or certificate which is used or contemplated for use in the consummation of the transactions contemplated by this Lease; and (xiii) no event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default, exists at the Commencement Date.

Lessee shall deliver to Lessor an opinion of Lessee's counsel in form and substance attached hereto or as otherwise acceptable to Lessor.

8. TITLE TO EQUIPMENT; SECURITY INTEREST. Upon acceptance of the Equipment by Lessee hereunder, title to the Equipment will vest in Lessee subject to Lessor's rights under this Lease; provided, however, that upon the occurrence of an Event of Default hereunder, and as long as such Event of Default is continuing, title will immediately vest in Lessor or its assignee without any action by Lessee and Lessee shall immediately surrender possession of the Equipment to Lessor or its assignee in the manner set forth in *Section 5* hereof. Lessee grants to Lessor a continuing, first priority security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all additions, attachments, repairs, replacements, substitutions and modifications thereto and proceeds thereof made pursuant to *Section 9*, in order to secure Lessee's payment of all Lease Payments due during the Lease Term and the performance of all other obligations herein to be performed by Lessee. 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 first lien and perfected security interest in the Equipment.

9. USE; REPAIRS. Lessee will use the Equipment in a careful manner for the use contemplated by the manufacturer of the Equipment. Lessee shall comply with all laws, ordinances, insurance policies and regulations relating to the possession, use, operation or maintenance of the Equipment. Lessee, at its expense, will keep the Equipment in good working order and repair and furnish all parts, mechanisms and devices required therefor.

10. ALTERATIONS. Lessee will not make any alterations, additions or improvements to the Equipment without Lessor's prior written consent unless such alterations, additions or improvements may be readily removed without damage to the Equipment.

11. LOCATION; INSPECTION. The Equipment will not be removed from or, if the Equipment consists of rolling stock, its permanent base will not be changed from the Equipment Location without Lessor's prior written consent, which will not be unreasonably withheld. Lessor will be entitled to enter upon the Equipment Location or elsewhere during reasonable business hours to inspect the Equipment or observe its use and operation.

12. LIENS AND TAXES. Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances except those created under this Lease. Lessee shall pay, when due, all charges and taxes (local, state and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Equipment, excluding however, all taxes on or measured by Lessor's income. If Lessee fails to pay said charges, or taxes when due, or to provide the insurance required by *Section 15* hereof, Lessor may, but need not, pay said charges or taxes or purchase such insurance and, in such event, Lessee shall reimburse Lessor therefor on demand, with interest at the maximum rate permitted by law from the date of such payment by Lessor to the date of reimbursement by Lessee.

13. RISK OF LOSS; DAMAGE; DESTRUCTION. Lessee assumes all risk of loss of or damage to the Equipment from any cause whatsoever, and no such loss of or damage to the Equipment nor defect therein nor unfitness or obsolescence thereof shall relieve Lessee of the obligation to make Lease Payments or to perform any other obligation under this Lease. The Lessee shall

repair or replace, within twelve months, any item of Equipment which is destroyed or damaged to such an extent that there is substantial interference with the use and right of possession by the Lessee of any item of Equipment which would result in an abatement of the Lease Payments or any item thereof pursuant to *Section 6* hereof, whether or not there are sufficient insurance proceeds to pay for such repair or replacement. If Lessor determines that any item of Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee, at the option of Lessor, will either (a) replace the same with like equipment in good repair, or (b) on the next Lease Payment Date, pay Lessor: (i) all amounts then owed by Lessee to Lessor under this Lease, including the Lease Payment due on such date, and (ii) an amount equal to the applicable Concluding Payment set forth in *Schedule B* opposite such Lease Payment Date. In the event that Lessee is obligated to make such payment pursuant to subparagraph (b) above with respect to less than all of the Equipment, Lessor will provide Lessee with the pro rata amount of the Lease Payment and the Concluding Payment to be made by Lessee with respect to the Equipment which as suffered the event of loss.

14. PERSONAL PROPERTY. The Equipment is and will remain personal property and will not be deemed to be affixed or attached to real estate or any building thereon. If requested by Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the Equipment from any party having an interest in any such real estate or building.

15. INSURANCE. At its own expense, Lessee shall maintain (a) casualty insurance insuring the Equipment against loss or damage by fire and any other risks reasonably required by Lessor in an amount at least equal to the then applicable Concluding Payment of the Equipment, (b) liability insurance that protects Lessor from liability in all events in form and amount satisfactory to Lessor, and (c) workers' compensation coverage as required by the laws of the state; provided that, with Lessor's prior written consent, Lessee may self-insure against the risks described in clauses (a) and (b). All insurance proceeds from casualty losses shall be payable as hereinafter provided. Upon acceptance of the Equipment and upon each insurance renewal date, Lessee will deliver to Lessor a certificate evidencing such insurance. In the event of any loss, damage, injury or accident involving the Equipment, Lessee will promptly provide Lessor with written notice thereof and make available to Lessor all information and documentation relating thereto and shall permit Lessor to participate and cooperate with Lessee in making any claim for insurance in respect thereof.

Lessee shall also maintain at its expense throughout the Lease Term, rental interruption insurance against loss of use of the Equipment with coverage equal to the maximum total Lease Payments payable by Lessee under this Lease for not less than any consecutive 24-month period. The policy shall insure against abatement of Lease Payments payable by Lessee resulting from Lessee's loss of use of the Equipment or any substantial portion thereof and caused by any and all perils, either insured or uninsured, including acts of God. Such insurance shall be payable to Lessor in amounts proportionate to Lessee's applicable Lease Payments, if any, during the restoration period in sufficient amount to make Lessor whole.

All such casualty and liability insurance shall be with insurers that are acceptable to Lessor, shall name Lessee as named insured and Lessor or its assigns as an additional named insured and shall contain a provision to the effect that such insurance shall not be cancelled or modified materially without first giving written notice thereof to Lessor at least thirty days in advance of such cancellation or modification. All such casualty insurance shall contain a provision making any losses payable to Lessee and Lessor, as their respective interests may appear. The Lessee may provide required insurance as part of "blanket" coverage maintained on its other assets. Required insurance coverage may also be provided in whole or in part by self-insurance, with written consent of the Lessor, which shall not be unreasonably withheld. If such consent is given, Lessee will furnish Lessor with a letter or certificate of self-insurance specifying the type and extent coverage. The proceeds of any such policies will be payable to Lessee and Lessor or its assigns as their interests may appear. In the event that Lessee has been permitted to self-insure, Lessee will furnish Lessor with a letter or certificate to such effect.

16. RELEASE AND INDEMNIFICATION. To the extent permitted by law, Lessee shall indemnify, protect and hold harmless Lessor from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith (including, without limitation, counsel fees and expenses and any federal income tax and interest and penalties connected therewith imposed on interest received) arising out of or as the result of (a) the entering into this Lease, (b) the ownership of any item of the Equipment, (c) the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Equipment, (d) any accident in connection with the operation, use, condition, possession, storage or return of any item of the Equipment resulting in damage to property or injury or death to any person or (e) the breach of any covenant herein or any material misrepresentation contained herein. The indemnification arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of the Lease Term for any reason.

17. ASSIGNMENT. Without Lessor's prior written consent, Lessee will not either (i) assign, transfer, pledge, hypothecate, grant any security interest in or otherwise dispose of this Lease or the Equipment or any interest in this Lease or the Equipment or (ii) sublet or lend the Equipment or permit it to be used by anyone other than Lessee or Lessee's employees. Lessor may assign its rights, title and interest in and to the Lease Documents, the Equipment and/or grant or assign a security interest in this Lease and the Equipment, in whole or in part, and Lessee's rights will be subordinated thereto. Any such assignees shall have all of the rights of Lessor under this Lease. Subject to the foregoing, this Lease inures to the benefit of and is binding upon the successors and assigns of the parties hereto. Lessee covenants and agrees not to assert against the assignee any claims or defenses by way of abatement, setoff, counterclaim, recoupment or the like which Lessee may have against Lessor. Upon assignment of Lessor's interests herein, Lessor will cause written notice of such assignment to be sent to Lessee which will be sufficient if it discloses the name of the assignee and address to which further payments hereunder should be made. No further action will be required by Lessor or by Lessee to evidence the assignment, but Lessee will acknowledge such assignments in writing if so requested. Lessee shall retain all notices of assignment and maintain a book-entry record which identifies each owner of Lessor's interest in the Lease. Upon Lessee's receipt of written notice of Lessor's assignment of all or any part of its interest in the Lease, Lessee agrees to attorn to and recognize any such assignee as the owner of Lessor's interest in this Lease, and Lessee shall thereafter make such payments, including without limitation such Lease Payments, as are indicated in the notice of assignment, to such assignee.

18. EVENT OF DEFAULT. The term "Event of Default," as used herein, means the occurrence of any one or more of the following events: (i) Lessee fails to make any Lease Payment (or any other payment) as it becomes due in accordance with the terms of this Lease, and any such failure continues for ten (10) days after the due date thereof; (ii) Lessee fails to perform or observe any other covenant, condition, or agreement to be performed or observed by it hereunder and such failure is not cured within twenty (20) days after written notice thereof by Lessor; (iii) the discovery by Lessor that any statement, representation, or warranty made by Lessee in this Lease or in any writing ever delivered by Lessee pursuant hereto or in connection herewith was false, misleading, or erroneous in any material respect; (iv) Lessee becomes insolvent, or is unable to pay its debts as they become due, or makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or liquidator of Lessee or of any of its assets, or a petition for relief is filed by Lessee under any bankruptcy, insolvency, reorganization or similar laws, or a petition in, or a proceeding under, any bankruptcy, insolvency, reorganization or similar laws is filed or instituted against Lessee and is not dismissed or fully stayed within twenty (20) days after the filing or institution thereof; (v) Lessee fails to make any payment when due or fails to perform or observe any covenant, condition, or agreement to be performed by it under any other agreement or obligation with Lessor or an affiliate of Lessor and any applicable grace period or notice with respect thereto shall have elapsed or been given; or (vi) an attachment, levy or execution is threatened or levied upon or against the Equipment.

19. REMEDIES. Upon the occurrence of any Event of Default, and as long as such Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies: (i) by written notice to Lessee, declare an amount equal to all Lease Payments and all other amounts then due under the Lease, and the Concluding Payment due on the next Lease Payment Date, to be immediately due and payable, whereupon the same shall become immediately due and payable; (ii) by written notice to Lessee, request Lessee to (and Lessee agrees that it will), at Lessee's expense, promptly return the Equipment to Lessor in the manner set forth in *Section 5* hereof, or Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same, without liability for such entry or for damage to property or otherwise, (iii) sell or lease the Equipment or sublease it for the account of Lessee, holding Lessee liable for all Lease Payments and other payments due to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the amounts otherwise payable by Lessee hereunder; and (iv) exercise any other right, remedy or privilege which may be available to it under applicable laws of the state where the Equipment is then located or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Equipment. In addition, Lessee will remain liable for all covenants and indemnities under this Lease and for all legal fees and other costs and expenses, including court costs, incurred by Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor.

20. PREPAYMENT OPTION. Upon thirty (30) days prior written notice from Lessee, and provided that there is no Event of Default, or an event which with notice or lapse of time, or both, could become an Event of Default, then existing, Lessee will have the right to purchase the Equipment prior to the Termination Date on any Lease Payment Date set forth in *Schedule B* by paying to Lessor, on such date, the Concluding Payment as set forth in *Schedule B*. Upon satisfaction by Lessee of such purchase conditions, Lessor will transfer any and all of its right, title and interest in the Equipment to Lessee **AS IS, WITHOUT WARRANTY, EXPRESS OR IMPLIED**, except Lessor will warrant that the Equipment is free and clear of any liens created by Lessor.

21. TAX ASSUMPTION; COVENANTS. Lessee hereby covenants with respect to this Lease that (i) neither the payment of the Lease Payments hereunder nor any portion thereof is secured by any interest in property used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code) or in payments with respect to such property or is derived from payments with respect to property, or borrowed money, used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code); (ii) no portion of the Equipment will be used directly or indirectly in any trade or business carried on by any non-exempt person (within the meaning of Section 103 of the Code); (iii) it will not take any action or permit or suffer any action to be taken or condition to exist if the result of such action or condition would be to cause its obligation to make Lease Payments to be guaranteed, directly or indirectly, in whole or in part, by the United States or by any agency or instrumentality thereof; (iv) it will neither take any action (including, without limitation, entering into any lease, sublease, output contract, management contract, take-or-pay contract or other arrangement) nor omit to take any action if the result of such action or omission would be to cause the interest portion of each Lease Payment to become includable in the income of Lessor for purposes of federal, state or local income tax; (v) it will provide (or cause to be provided) to Lessor such other information as Lessor may reasonably request from Lessee to enable Lessor to fulfill tax filing, audit and litigation obligations, including, but not limited to, federal and state income tax filing obligations; (vi) it will timely file a statement with respect to this Lease in the form required by Section 149(e) of the Internal Revenue Code of 1986, as amended (the "Code"); and (vii) neither take any action or omit to take any action if the result of such action or omission would be to cause this Lease to be an "arbitrage bond" within the meaning of Section 148 of the Code. If this Lease is accompanied by an Addendum for Escrow Funding, Lessee will execute and deliver to Lessor an Arbitrage Certificate (in the form provided by Lessor).

If Lessor receives notice, in any form, from the Internal Revenue Service or it is determined based on an opinion of independent tax counsel selected by Lessor and approved by Lessee, which approval shall not be unreasonably withheld, that the interest portion of any Lease Payment is includable in the income of Lessor for purposes of federal, state or local income tax, Lessee, at its option, shall either (i) pay the Concluding Payment as provided in Section 20 hereof and terminate the Lease or (ii) within 30 days after notice from Lessor, pay Lessor an amount which will restore to Lessor its after-tax yield as contemplated by this transaction from the date that the interest portion became taxable through the date of such additional rental payment and will further pay additional rent to Lessor on each succeeding Lease Payment Date in such amount as will maintain Lessor's after-tax yield as contemplated by this transaction.

22. NOTICES. All notices to be given under this Lease shall be made in writing and mailed by certified mail, return receipt requested, to the other party at its address set forth herein or at such address as the party may provide in writing from time to time. Any such notice shall be deemed to have been received five days subsequent to mailing.

23. SECTION HEADINGS. All section headings contained herein are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

24. GOVERNING LAW. This Lease shall be construed in accordance with, and governed by, the laws of the state of the Equipment Location.

25. DELIVERY OF RELATED DOCUMENTS. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transaction contemplated by this Lease.

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26. ENTIRE AGREEMENT; WAIVER. The Lease Documents constitute the entire agreement between the parties with respect to the lease of the Equipment and shall not be contradicted by any oral representations made prior to, contemporaneously with or subsequent to the date hereof nor do any oral agreements presently exist between the parties which have not been reduced to writing. This Lease shall not be modified, amended, altered, or changed except with the written consent of Lessee and Lessor. Any provision of this Lease found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remainder of this Lease. The waiver by Lessor of any breach by Lessee of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach thereof.

IN WITNESS WHEREOF, the parties have executed this Lease.

Lease Date: November 17, 1999

LESSEE: City of Redlands, CA

By: 

Title: X William E. Cunningham, Mayor

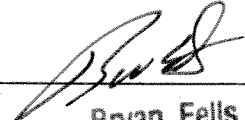
Date: X November 17, 1999

ATTEST:

By: 

Title: Lorrie Poyzer, City Clerk

LESSOR: Associates Commercial Corporation

By: 

Title: Bryan Eells
Vice President

Date: 11/22/99

**SCHEDULE A
EQUIPMENT SCHEDULE**

Lease No. 31282

Associates Commercial Corporation (the "Lessor") leases to City of Redlands, CA (the "Lessee") under and pursuant to the terms and conditions contained in the Equipment Lease-Purchase Agreement dated **November 17, 1999** (the "Lease") and Lessee hereby leases from Lessor under and pursuant to the terms and conditions contained in the Lease the following items of equipment:

Equipment Description(s) (Manufacturer, Model, VIN and/or Serial Numbers)	Vendor(s) and Addresses	Equipment Location
1999 New Athey Products Corp. Model M-9D AHL-2 Street Sweeper, VIN 1A9Y24DR5YR059005	Nixon-Egli Equipment Co. 12030 Clark Street Santa Fe Springs, CA 90670	1270 W. Park Avenue Redlands, CA 92373
1999 New Athey Products Corp. Model M-9D AHL-2 Street Sweeper, VIN 1A9Y24DR7YR059006	Nixon-Egli Equipment Co. 12030 Clark Street Santa Fe Springs, CA 90670	1270 W. Park Avenue Redlands, CA 92373

LESSEE: City of Redlands, CA

ATTEST:

BY: 

BY: 

TITLE: X William E. Cunningham, Mayor

TITLE: Lorrie Poyzer, City Clerk

DATE: X November 17, 1999

SCHEDULE B

RENTAL PAYMENT SCHEDULE

Lessee:	City of Redlands, CA	Commencement Date:	11/17/1999
Lease #:	31282	Termination/Expiration Date:	11/17/2004
Interest Rate:	5.76%		
Amount Financed:	\$ 269,349.14		
Lease Term:	60 Monthly Payments		

Lease Payment #	Lease Payment Date	Lease Payment	Interest Portion	Principal Portion	** Concluding Payment
0		-	-	-	-
1	12/17/1999	5,177.27	1,292.88	3,884.39	270,774.04
2	1/17/2000	5,177.27	1,274.23	3,903.04	266,792.95
3	2/17/2000	5,177.27	1,255.50	3,921.77	262,792.74
4	3/17/2000	5,177.27	1,236.67	3,940.60	258,773.33
5	4/17/2000	5,177.27	1,217.76	3,959.51	254,734.63
6	5/17/2000	5,177.27	1,198.75	3,978.52	250,676.54
7	6/17/2000	5,177.27	1,179.65	3,997.61	246,598.98
8	7/17/2000	5,177.27	1,160.47	4,016.80	242,501.84
9	8/17/2000	5,177.27	1,141.19	4,036.08	238,385.03
10	9/17/2000	5,177.27	1,121.81	4,055.46	234,248.47
11	10/17/2000	5,177.27	1,102.35	4,074.92	230,092.05
12	11/17/2000	5,177.27	1,082.79	4,094.48	225,915.68
13	12/17/2000	5,177.27	1,063.13	4,114.14	221,719.26
14	1/17/2001	5,177.27	1,043.38	4,133.88	217,502.70
15	2/17/2001	5,177.27	1,023.54	4,153.73	213,265.90
16	3/17/2001	5,177.27	1,003.60	4,173.66	209,008.76
17	4/17/2001	5,177.27	983.57	4,193.70	204,731.19
18	5/17/2001	5,177.27	963.44	4,213.83	200,433.08
19	6/17/2001	5,177.27	943.21	4,234.05	196,114.35
20	7/17/2001	5,177.27	922.89	4,254.38	191,774.89
21	8/17/2001	5,177.27	902.47	4,274.80	187,414.59
22	9/17/2001	5,177.27	881.95	4,295.32	183,033.37
23	10/17/2001	5,177.27	861.33	4,315.93	178,631.12
24	11/17/2001	5,177.27	840.62	4,336.65	174,207.73
25	12/17/2001	5,177.27	819.80	4,357.47	169,763.12
26	1/17/2002	5,177.27	798.89	4,378.38	165,297.17
27	2/17/2002	5,177.27	777.87	4,399.40	160,809.78
28	3/17/2002	5,177.27	756.75	4,420.52	156,300.85
29	4/17/2002	5,177.27	735.53	4,441.73	151,770.28
30	5/17/2002	5,177.27	714.21	4,463.05	147,217.97
31	6/17/2002	5,177.27	692.79	4,484.48	142,643.80
32	7/17/2002	5,177.27	671.26	4,506.00	138,047.68
33	8/17/2002	5,177.27	649.64	4,527.63	133,429.49
34	9/17/2002	5,177.27	627.90	4,549.36	128,789.14
35	10/17/2002	5,177.27	606.07	4,571.20	124,126.52
36	11/17/2002	5,177.27	584.12	4,593.14	119,441.51
37	12/17/2002	5,177.27	562.08	4,615.19	114,734.02

38	1/17/2003	5,177.27	539.92	4,637.34	110,003.93
39	2/17/2003	5,177.27	517.67	4,659.60	105,251.13
40	3/17/2003	5,177.27	495.30	4,681.97	100,475.52
41	4/17/2003	5,177.27	472.83	4,704.44	95,676.99
42	5/17/2003	5,177.27	450.24	4,727.02	90,855.43
43	6/17/2003	5,177.27	427.55	4,749.71	86,010.72
44	7/17/2003	5,177.27	404.76	4,772.51	81,142.76
45	8/17/2003	5,177.27	381.85	4,795.42	76,251.43
46	9/17/2003	5,177.27	358.83	4,818.44	71,336.62
47	10/17/2003	5,177.27	335.70	4,841.57	66,398.23
48	11/17/2003	5,177.27	312.46	4,864.81	61,436.13
49	12/17/2003	5,177.27	289.11	4,888.16	56,450.21
50	1/17/2004	5,177.27	265.65	4,911.62	51,440.35
51	2/17/2004	5,177.27	242.07	4,935.20	46,406.45
52	3/17/2004	5,177.27	218.38	4,958.88	41,348.39
53	4/17/2004	5,177.27	194.58	4,982.69	36,266.05
54	5/17/2004	5,177.27	170.66	5,006.60	31,159.31
55	6/17/2004	5,177.27	146.63	5,030.64	26,028.07
56	7/17/2004	5,177.27	122.49	5,054.78	20,872.19
57	8/17/2004	5,177.27	98.22	5,079.05	15,691.56
58	9/17/2004	5,177.27	73.84	5,103.43	10,486.07
59	10/17/2004	5,177.27	49.35	5,127.92	5,255.59
60	11/17/2004	5,177.27	24.73	5,152.54	-

Totals

310,636.20

41,287.06

269,349.14

**** Prepayment price amount shown is AFTER the scheduled lease payment is made for the corresponding date.**

Lessee: City of Redlands, CA

By: 

Title:  William E. Cunningham, Mayor

Date:  November 17, 1999

ATTEST:

By: 

Title: Lorrie Poyzer, City Clerk

SCHEDULE B

RENTAL PAYMENT SCHEDULE

Rev. 1.13

11/16/1999 14:07

DELIVERY AND ACCEPTANCE CERTIFICATE

Lease No: 31282

In accordance with the Equipment Lease-Purchase Agreement between Associates Commercial Corporation (the "Lessor") and City of Redlands, CA (the "Lessee"), the undersigned Lessee hereby acknowledges and represents to Lessor that (1) the Equipment described below ("Equipment") has been delivered and fully installed and is in good working condition; (2) Lessee has conducted such inspection and/or testing of the Equipment as it deems necessary and hereby acknowledges that it accepts the Equipment as satisfactory for all purposes under the Lease; (3) Lessee is currently maintaining the insurance coverage required by the Lease; and (4) no event or condition that constitutes, or with notice or lapse of time, or both, would constitute an Event of Default (as defined in the lease) exists as of the date hereof.

Equipment Description(s) (Manufacturer, Model, VIN and/or Serial Numbers)	Vendor(s) and Addresses	Equipment Location
1999 New Athey Products Corp. Model No. M-9D AHL-2 Street Sweeper, VIN 1A9Y24DR5YR059005	Nixon-Egli Equipment Co. 12030 Clark Street Santa Fe Springs, CA 90670	1270 W. Park Avenue Redlands, CA 92373
1999 New Athey Products Corp. Model No. M-9D AHL-2 Street Sweeper, VIN 1A9Y24DR7YR059006	Nixon-Egli Equipment Co. 12030 Clark Street Santa Fe Springs, CA 90670	1270 W. Park Avenue Redlands, CA 92373

LESSEE: City of Redlands, CA

ATTEST:

BY: 

BY: 

TITLE: William E. Cunningham, Mayor

TITLE: Lorrie Poyzer, City Clerk

DATE ACCEPTED: November 15, 1999

INCUMBENCY CERTIFICATE

Lease No: 31282

I do hereby certify that I am the duly elected or appointed officer/official of City of Redlands ("Lessee"), a body corporate and politic duly organized and existing under the laws of the State of California and that I hold the office set forth opposite my respective name.

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
<u>X William E. Cunningham</u>	<u>X Mayor</u>	<u>X [Signature]</u>
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, I have duly executed this Certificate and affixed the seal of Lessee hereto this X 17th day of X November, X 1999.

I do hereby certify that (i) the above signatures set forth opposite their respective names and titles are their true and authentic signatures, and (ii) such officers have the authority on behalf of Lessee to enter into that certain Equipment Lease-Purchase Agreement dated or to be dated November 17, 1999 between Lessee and Associates Commercial Corporation.

**LESSEE
SEAL**

VERIFICATION OF ABOVE SIGNATURE

LESSEE: City of Redlands, CA

BY: X [Signature]

TITLE: X Lorrie Poyzer, City Clerk

(Please verify that the above named individual(s) have the authority to sign the documents)