LEASE WITH OPTION TO PURCHASE #08-026

This LEASE WITH OPTION TO PURCHASE dated April 15, 2008 (this "Lease") is by and between MUNICIPAL FINANCE CORPORATION, ("Corporation") a corporation duly organized and operating under the laws of the State of California as lessor and CITY OF REDLANDS, a municipal corporation duly organized and existing under the laws of the State of California ("Lessee") as lessee.

RECITALS:

WHEREAS, Lessee deems it essential for Lessee to acquire the property described herein for its own public purposes; and

WHEREAS, it is intended that this Lease be treated as a tax-exempt obligation of Lessee for federal income tax purposes; and

WHEREAS, Lessee and Corporation agree to mutually cooperate now and hereafter, to the extent possible, in order to sustain the intent of this Lease and the bargain of both parties hereto.

WITNESSETH:

NOW, THEREFORE in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Lease. Corporation hereby leases to Lessee, and Lessee hereby leases and hires from Corporation all property (the "Property") described in the schedule or schedules (collectively, the "Schedule") executed by the parties concurrently herewith and hereafter and made a part hereof. Hereinafter, reference to Corporation means Corporation and Corporation's assigns for those rights, interests and obligations that may be assigned by Corporation.

SECTION 2. Term. The terms and conditions of this Lease shall become effective upon the authorized execution of this Lease by the parties hereto. The rental term of the Property leased hereunder commences and terminates on the dates specified in the Schedule.

SECTION 3. Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants to Corporation that:

(a) Lessee is a municipal corporation and political subdivision, duly organized and existing under the Constitution and laws of the State of California with authority to enter into this Lease and to perform all of its obligations hereunder.

(b) Lessee's governing body has duly authorized the execution and delivery of this Lease and further represents and warrants that all requirements have been met and procedures followed to ensure its enforceability.

(c) The execution, delivery and performance of this Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which Lessee is a party or by which it or its property is bound.

(d) There is no pending or, to the knowledge of Lessee, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of Lessee to perform its obligations under this Lease.

(e) Lessee has complied with all public bidding laws or provisions of the California Public Contract Code applicable to the acquisition of the Property leased hereunder.

(f) The Property being leased is essential to Lessee in the performance of its governmental functions and its estimated useful life to Lessee exceeds the term of this Lease.

(g) Within one hundred eighty (180) days of the end of each fiscal year of Lessee during the term hereof, Lessee shall provide Corporation with a copy of its audited financial statements for such fiscal year.

SECTION 4. Representations and Warranties of Corporation. Corporation represents and warrants to Lessee that:

(a) Corporation is duly organized, validly existing and in good standing under the laws of the State of California, with full corporate power and authority to lease and own real and personal property.

(b) Corporation has full power, authority and legal right to enter into and perform its obligations under this Lease, and the execution, delivery and performance of this Lease have been duly authorized by all necessary corporate actions on the part of Corporation and do not require any further approvals or consents.

(c) The execution, delivery and performance of this Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which Corporation is a party by which it or its property is bound.

(d) There is no pending or, to the knowledge of Corporation, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of Corporation to perform its obligations under this Lease.

SECTION 5. Property Acquisition. Corporation hereby appoints Lessee as its purchasing agent to acquire the Property leased hereunder and Lessee hereby accepts said appointment (hereinafter, the "Agency"). The Agency is limited to i) negotiation of terms, conditions and acquisition cost of acquiring the Property from suppliers and contractors (collectively, the "Supplier") selected by Lessee; ii) to the inspection and acceptance of the Property upon its delivery and installation; and iii) to the exercise of any rights or remedies with respect to Property warranties or guarantees. All warranties and guarantees, either express or implied, that inure to Corporation by virtue of the Agency are hereby passed through to Lessee to prosecute at Lessee's sole discretion.

SECTION 6. Lease Proceeds. Moneys available to pay Property costs set forth on the Schedule are defined as the "Lease Proceeds". Disbursement of Lease Proceeds to pay Property costs can be made either directly to the Supplier or to Lessee as a reimbursement of its prior expenditures for Property costs. Lessee shall deliver to Corporation a disbursement authorization form along with Supplier invoices and required reconciliation documents prior to Corporation making a disbursement to the Supplier or a reimbursement to Lessee. Disbursements of Lease Proceeds in advance of Lessee executing a Certificate of Acceptance may be made pursuant to the following terms and conditions: (a) the principal amount of each disbursement shall accrue interest (interim rent) at the interest rate referred to on the Schedule from the disbursement date to the Property acceptance date; (b) the total principal amount of the disbursements shall not exceed the Lease Proceeds amount referred to on the Schedule, and (c) no disbursement shall be made on or after three months from the date of this Lease.

SECTION 7. Rental Payments. LESSEE SHALL PAY CORPORATION RENTAL PAYMENTS (the "Rental Payments") IN THE AMOUNTS AND AT THE TIMES SET FORTH IN THE SCHEDULE, AT THE OFFICE OF CORPORATION OR TO SUCH OTHER PERSON OR AT SUCH OTHER PLACE AS CORPORATION MAY FROM TIME TO TIME DESIGNATE IN WRITING. Should Lessee fail to pay any part of the Rental Payments herein within fifteen (15) days from the due date thereof, Lessee shall upon Corporation's written request, pay interest on such delinquent Rental Payment from the date said Rental Payment was due until paid at the rate of twelve percent (12%) per annum or the maximum legal rate, whatever is less. Lessee shall pay Rental Payments exclusively from legally available funds, in lawful money of the United States of America, to Corporation. The obligation of Lessee to pay Rental 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 limitations or requirements concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues of Lessee. Except as specifically provided in Section 29, the obligation of Lessee to pay the Rental Payments will be absolute and unconditional in all events, and will not be subject to set-off, defense, abatement, reduction, counterclaim, or recoupment for any reason whatsoever. The periodic Rental Payments paid by Lessee shall be conclusive as to its fair value for the possession, use and/or occupancy of the Property.

SECTION 8. Security Interest. As security for the payment of all of Lessee's obligations hereunder, Lessee hereby grants Corporation, its successors or assigns, a security interest in the Property, its accessions and attachments thereto and replacements thereof and substitutions therefor and all proceeds of any of the foregoing. Lessee agrees to execute such additional documents, including financing statements, and authorizes Corporation to file such financing statements, which Corporation deems necessary or appropriate to establish, perfect and maintain Corporation's security interest.

SECTION 9. Use. Lessee shall use the Property in a careful and proper manner and shall comply with and conform to all national, state, municipal, police, and other laws, ordinances, and regulations in anyway relating to the possession, use, or maintenance of the Property.

SECTION 10. Acceptance. Lessee shall acknowledge receipt, inspection and acceptance of the Property by executing a "Certificate of Acceptance".

SECTION 11. Corporation's Inspection. Upon forty-eight (48) hours prior notice, the Corporation shall at any and all times during normal business hours have the right to enter into and upon Lessee's premises where the Property is located for the purpose of inspecting the same or observing its use. Lessee shall give Corporation immediate notice of any attachment or other judicial process affecting the Property.

SECTION 12. Property Selection and Ordering. Lessee has selected or will select the type and quantity of the Property leased hereunder. Lessee shall ensure that all Property is properly invoiced to Corporation. Corporation shall not be liable for, nor shall the validity, enforceability or effectiveness of this Lease be affected by, any delay in or failure of delivery of the Property. Lessee acknowledges that it is solely responsible for determining the suitability of the Property for its intended use. Corporation shall have no duty to inspect the Property. If the Property is not properly installed, does not operate as represented or warranted by the Supplier, or is unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against the Supplier. Lessee hereby assumes the risks, burdens and obligations to the Supplier on account of nonacceptance of the Property and/or cancellation of this Lease and upon the occurrence of any such event, Corporation will assign to Lessee, without recourse or warranty, its rights and title to the Property and any documents related thereto.

SECTION 13. Disclaimer of Warranty. CORPORATION NOT BEING THE MANUFACTURER OR SUPPLIER OF THE PROPERTY NOR A DEALER IN SIMILAR PROPERTY, HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION, WARRANTY, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE DESIGN, DURABILITY, FITNESS FOR USE, SUITABILITY, OR MERCHANTABILITY OF THE PROPERTY IN ANY RESPECT, AND AS BETWEEN CORPORATION AND LESSEE, ALL PROPERTY SHALL BE ACCEPTED AND LEASED BY LESSEE "WHERE IS," "AS IS," AND "WITH ALL FAULTS," AND CORPORATION SHALL NOT BE RESPONSIBLE FOR ANY PATENT OR LATENT DEFECTS THEREIN. LESSEE AGREES TO SETTLE DIRECTLY SUCH CLAIMS WITH THE SUPPLIER AND WILL NOT ASSERT ANY SUCH CLAIMS AGAINST CORPORATION.

SECTION 14. Alterations and Attachments. All additions and improvements that are made to the Property shall belong to and become the property of the Corporation except that separately identifiable attachments added to the Property by Lessee may remain the property of Lessee as long as (i) the attachment is paid for in full by Lessee and (ii) Lessee agrees to remove the attachment and restore the Property to substantially as good condition as when received, normal wear and tear excepted, if and when the Property may be returned to Corporation.

SECTION 15. Relocation. Lessee shall provide Corporation prior written notice of its intent to relocate the Property. Lessee assumes all risks of loss to the Property attendant to its movement and relocation. The Property location shall be under Lessee's full control for its own governmental purpose.

SECTION 16. Maintenance and Repairs. Lessee, at its own cost and expense, shall furnish necessary labor and materials to maintain the Property in good repair, condition, and working order. Lessee's obligations to maintain the Property does not relieve the Supplier of its responsibility to fully perform with respect to all applicable Property warranties and guarantees.

SECTION 17. Risk of Loss; Damage; Destruction. With the exception of acts resulting from intentional misconduct or gross negligence by Corporation, its agents and representatives, Lessee hereby assumes and shall bear the entire risk of loss and damage to the Property from any and every cause whatsoever. No loss or damage to the Property or any part thereof shall impair any obligation of Lessee under this Lease, which shall continue in full force and effect. Lessee waives the benefit of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Lease by virtue of any damage or destruction to the Property.

SECTION 18. Physical Damage/Public Liability Insurance. Lessee shall keep the Property insured, as nearly as practicable, against risk of loss or damage from any peril covered under an "all-risk" insurance policy for not less than the full replacement value thereof, and Lessee shall carry public liability and property damage insurance covering the Property. All said insurance shall be in form and amount and with reputable companies and shall name Corporation as an additional insured and loss payee. Lessee shall pay the premiums therefore and deliver certification of said policies to Corporation. Each insurer shall agree, by endorsement upon the policy or policies issued by it or by independent instrument furnished to Corporation, that it will give Corporation thirty (30) days' written notice before the policy or policies shall be altered or canceled. The proceeds of such insurance, at the option of Lessee, shall be applied: (a) toward the replacement, restoration, or repair of the Property, or (b) toward payment of the total remaining obligations of Lessee hereunder; provided, however, that Lessee shall be responsible for the amount by which such insurance proceeds are insufficient to satisfy the cost of option (a) or option (b) above, as applicable. Should Lessee replace, restore, or repair the Property as set out in option (a) above, this Lease shall continue in full force and effect. Lessee may self-insure up to specified limits as evidenced by a certificate of self insurance to be attached hereto in form and amount acceptable to Corporation. Any self-insurance program in which Lessee is a participant shall comply with the provisions under this Lease respecting cancellation and modification and payment of losses to the Corporation as its respective interests may appear. Such self-insurance shall be maintained on a basis which is actuarially sound as established by Lessee's risk manager or an independent insurance consultant which determination shall be made annually. Any deficiency shall be corrected within sixty (60) days of Lessee becoming aware of such deficiency.

SECTION 19. <u>Liens and Taxes</u>. Lessee shall keep the Property free and clear of all levies, liens, and encumbrances and shall promptly pay all fees, assessments, charges, and taxes (municipal, state and federal), including personal property taxes, which may now or hereafter be imposed upon the ownership, leasing, renting, sale, possession, or use of the Property, excluding, however, all taxes on or measured by Corporation's income.

SECTION 20. <u>Indemnity</u>. Subject to California law concerning contribution and enforceability of indemnifications, Lessee shall indemnify Corporation against and hold Corporation harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages, and liabilities, including attorneys' fees, arising out of, connected with or resulting from the selection, possession, use, operation, or return of the Property excepting that Lessee shall not be required to indemnify Corporation in the event that such liability or damages are caused by the gross negligence or intentional misconduct of Corporation, its agents or representatives.

SECTION 21. <u>Events of Default</u>. The term "Event of Default", as used in this Lease, means the occurrence of any one or more of the following events: (a) Lessee fails to make any Rental Payment (or any other payment) within fifteen (15) days after the due date thereof or Lessee fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure to either make the payment or perform the covenant, condition or agreement is not cured within ten (10) days after written notice thereof by Corporation; (b) Corporation discovers that any statement, representation or warranty made by Lessee in this Lease, the Schedule or in any document ever delivered by Lessee pursuant hereto or in connection herewith is false, misleading or erroneous in any material respect; (c) Lessee becomes insolvent, is unable to pay its debts as they become due, 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 all or a substantial part of its assets, or a petition for relief is filed by Lessee under federal bankruptcy, insolvency or similar laws.

SECTION 22. <u>Remedies</u>. Upon Lessee's failure to cure an Event of Default within ten (10) days after Corporation's written notice thereof, Lessee's rights under this Lease shall terminate and the Corporation will become entitled to retain all Rental Payments previously paid and to recover all past due payments together with interest thereon to the end of Lessee's current fiscal year. The Corporation may pursue all of its available remedies at law and in equity including, but not limited to, the repossession and sale of the Property. No right or remedy conferred upon Corporation is exclusive of any other right or remedy, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time; provided, however, that notwithstanding any provisions to the contrary herein, Corporation shall not under any circumstances have the right to accelerate the Rental Payments that fall due in future rental periods or otherwise declare any Rental Payments not then in default to be immediately due and payable.

SECTION 23. <u>Non-Waiver</u>. No covenant or condition to be performed by Lessee under this Lease can be waived except by the written consent of Corporation. Forbearance or indulgence by the Corporation in any regard whatsoever shall not constitute a waiver of the covenant or condition in question. Until performance by Lessee of said covenant or condition is complete, Corporation shall be entitled to invoke any remedy available to Corporation under this Lease or by law or in equity despite said forbearance or indulgence.

SECTION 24. <u>Assignment and Subleasing</u>. Lessee shall not (a) assign, transfer, pledge, or hypothecate this Lease, the Property, or any part thereof, or any interest therein, or (b) sublet or lend the Property or any part thereof except with the prior written consent of the Corporation which, in the case of subletting, shall not be unreasonably withheld; provided such subletting shall not affect the tax-exempt status of the interest components of the Rental Payments payable by

Lessee hereunder. No such pledge, assignment, sublease or any other transfer shall in any event affect or reduce the obligation of Lessee to make the Rental Payments due hereunder. Consent to any of the foregoing acts applies only in the given instance and is not a consent to any subsequent like act by Lessee or any other person. Corporation shall not assign its obligations under this Lease with the exception of its obligation to issue default notices and its obligations pursuant to Section 28. Corporation may assign its right, title and interest in this Lease, the Rental Payments and other amounts due hereunder and the Property in whole or in part to one or more assignees or subassignees at any time, without the consent of Lessee. Any such assignment by Corporation or its assigns shally comply with the requirements of Sections 5950-5955 of the California Government Code. No such assignment shall be effective as against Lessee unless and until Corporation shall have filed with Lessee a copy of such assignment or written notice thereof. Lessee shall pay all Rental Payments hereunder pursuant to the direction of Corporation or the assignee named in the most recent assignment or notice of assignment filed with Lessee. During this Lease term, Lessee shall keep a complete and accurate record of all such assignments or notices of assignment. Subject to the foregoing, this Lease inures to the benefit of, and is binding upon, the successors and assigns of the parties hereto.

SECTION 25. Ownership. The Property is and shall at all times be and remain the sole and exclusive property of Corporation, and Lessee shall have no right, title, or interest therein or thereto except as expressly set forth in Sections 27 and 28. Lessee shall take all actions necessary to insure that legal title to the Property being acquired by Lessee hereunder, whether by Lessee or by a third party acting on behalf of Lessee, is vested in Corporation.

SECTION 26. Personal Property. The Property is and shall at all times be and remain personal property notwithstanding that the Property or any part thereof may now be or hereafter become in any manner affixed or attached to or imbedded in, or permanently resting upon, real property or any building thereon, or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

SECTION 27. Purchase Option. If Lessee is not in default of any term, condition or payment specified hereunder, Lessee may exercise options to prepay this Lease and purchase not less than all of the Property in "as-is" and "where-is" condition on the specified dates and for the specified amounts set forth in the Schedule. The purchase option price specified for a particular date is in addition to the Rental Payment due on the same date.

SECTION 28. Release of Liens. Upon Lessee either making all of the Rental Payments scheduled herein or making a purchase option payment, Corporation, its successors or assigns shall cause i) legal title to the Property to be transferred to Lessee and ii) the release of all liens, encumbrances or security interests on the Property created pursuant to Corporation's rights under this Lease.

SECTION 29. Early Termination. Lessee may terminate this Lease in its entirety as of the end of any fiscal year based solely upon Lessee's failure to appropriate funds for the subsequent fiscal year's Rental Payments after exercising reasonable efforts to appropriate funds from any and all of its legally available sources. Lessee agrees to deliver notice to Corporation of such termination promptly upon adoption of Lessee's final budget if no appropriation is included therein to make Rental Payments as set forth in the Schedule. Upon termination of this Lease due to Lessee's failure to budget and appropriate funds, Lessee, at its expense, shall redeliver the Property to the Corporation at a location within the State of California designated by Corporation in substantially as good a condition as when received, normal wear and tear excepted. If Lessee terminates this Lease, Corporation may retain all amounts previously paid by Lessee and may collect and retain any amounts due and unpaid to the end of Lessee's then current fiscal year. Corporation shall remit to Lessee any proceeds from the subsequent sale of the Property in excess of the then applicable purchase option price.

SECTION 30. Nonsubstitution. To the extent permitted by California law, if this Lease is terminated by Lessee with respect to the Property in accordance with Section 29, Lessee agrees not to purchase, lease or rent personal property to perform the same function or functions taking the place of, those performed by such Property and agrees not to permit such functions to be performed by its own employees or by any agency or entity affiliated with or hired by Lessee for a period of three hundred sixty-five (365) days succeeding such termination; provided, however, that these restrictions shall not be applicable in the event the Property shall be sold by Corporation and the amount received from such sale, less all costs of such sale, is sufficient to pay the then applicable purchase option price relating thereto as set forth on the Schedule; or if or to the extent that the application of these restrictions is unlawful and would affect the validity of this Lease.

SECTION 31. Tax Covenants.

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

(b) Private Activity Bond Limitation. Lessee shall assure that the Lease Proceeds are not so used as to cause this Lease to satisfy the private business tests of Section 141(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or the private loan financing test of Section 141(c) of the Code.

(c) No Arbitrage. Lessee will not take any action or omit to take any action which action or omission, if reasonably expected on the date of this Lease, would have caused this Lease to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(d) Federal Guarantee Prohibition. The Rental Payments are not directly guaranteed or indirectly guaranteed in whole or in part by the United States or any agency or instrumentality of the United States so as to cause the Rental Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Reimbursement Regulations. The Lease Proceeds used for reimbursement of prior expenditures will be made pursuant to and in compliance with Income Tax Regulations Section 1.150-2.

(f) Bank Qualified. Lessee hereby designates this Lease for purposes of paragraph (3) of Section 265(b) of the Code and represents that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Lease, has been or will be issued by Lessee, including all subordinate entities of Lessee, during calendar year 2008.

SECTION 32. Extraordinary Costs. In the case of litigation, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including attorneys' fees (which may be the allocable cost of in-house counsel), incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions hereof.

SECTION 33. Severability. If any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such holdings shall not invalidate or render unenforceable any other provision of this Lease, unless elimination of such provision materially alters the rights and obligations embodied in this Lease.

SECTION 34. Entire Agreement. This Lease, the Schedule, and any agreements that specifically refer to this Lease that are duly executed by authorized agents of the parties hereto constitute the entire agreement between Corporation and Lessee, and it shall not be further amended, altered, or changed except by a written agreement that is properly authorized and executed by the parties hereto.

SECTION 35. Notices. Service of all notices under this Lease shall be sufficient if given personally or mailed to the party involved at its respective address hereinafter set forth or at such address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective when deposited in the United States mail, duly addressed and with postage prepaid.

SECTION 36. Titles. The titles to the Sections of this Lease are solely for the convenience of the parties and are not an aid in the interpretation thereof.

SECTION 37. Further Assurances and Corrective Instruments. Corporation and Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may be reasonably required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 38. Execution in Counterparts. This Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

SECTION 39. Time. Time is of the essence in this Lease and each and all of its provisions.

SECTION 40. Lease Interpretation. This Lease and the rights and obligations of the parties hereunder shall be determined in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused their authorized agents to execute this Lease on the dates specified below.

MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302
(lessor)

By ______________________

Title ______________________

Date ______________________

CITY OF REDLANDS
35 Cajon St.; P.O. Box 3005
Redlands, CA 92373-1505
(lessee)

By Jon Harrison
Jon Harrison

Title Mayor

Date April 15, 2008

ATTEST:

City Clerk

LEASE SCHEDULE #08-026

This Schedule is issued pursuant to the Lease with Option to Purchase dated as of April 15, 2008 by and between the undersigned.

A. Property Location: Redlands Police Department
35 Cajon, Suite 6
Redlands, CA 92373

B. Property Description: Four Ford Crown Victoria sedans and one Ford Explorer

C. Name and Address of Supplier:

D. Lease Proceeds Summary:

Estimated Property Cost (including related expenses):	$126,486.13
Lease Proceeds:	$126,486.13

E. Lease Term. The full term of this Schedule is for a period commencing on the date Lessee acknowledges acceptance of the Property and concluding thirty-six (36) months thereafter.

F. Rental Payments. Rental Payments for this Schedule are due in three (3) consecutive annual payments in accordance with the Payment Schedule herein. Each payment includes interest at the rate of 4.25% per annum on the unpaid principal balance. The Financing Amount in Section D represents the original principal balance.

G. Lease Acquisition Cost. The cost for Lessee to acquire the Property over the full specified term of this Schedule is $131,785.68

H. Payment Schedule: Payable annually in advance

#08-026

PMT #	Due Date	(1) Rental Payment	(2) Purchase Option	To Principal	To Interest
1		$43,928.56		$43,928.56	0.00
2		43,928.56	43,191.15	40,419.86	3,508.70
3		43,928.56	0.00	42,137.71	1,790.85
TOTALS:		$131,785.68		$126,486.13	$5,299.55

(1) Refer to the paragraph in the Lease entitled "Release of Liens"

(2) Refer to the paragraph in the Lease entitled "Purchase Option and "Release of Liens." Purchase options are in addition to the rental payment due on the same day.

Approved and agreed to:

MUNICIPAL FINANCE CORPORATION
(lessor)

By: ______________________

Title: ______________________

Date: ______________________

CITY OF REDLANDS
(lessee)

By: Jon Harrison

Title: Mayor

Date: April 15, 2008

ATTEST:

City Clerk

ASSIGNMENT OF LEASE #08-026

FOR VALUE RECEIVED, MUNICIPAL FINANCE CORPORATION ("Corporation") as assignor without recourse does hereby sell, assign, and transfer to WILLIAM A. MORTON AND ANJA NOLTING MORTON, TRUSTEES OF THE WILLIAM A. MORTON AND ANJA NOLTING MORTON REVOCABLE TRUST DATED MAY 17, 2001 ("Assignee") as assignee and its successors and assigns (i) all of its right, title and interest in and to the attached Lease with Option to Purchase contract dated April 15, 2008 between the Corporation as lessor and CITY OF REDLANDS ("Lessee") as lessee (hereinafter said lease and any supplements, amendments, additions thereof and any extension or renewals thereof is referred to as the "Lease") and (ii) all moneys, sums and amounts now due or hereinafter to become due under the Lease. Corporation represents that the Lease and Lease Schedule(s) delivered to Assignee are the only duly executed duplicate originals and comprise the entire writing, obligation and agreement between Corporation and Lessee.

Corporation further represents and warrants that it has made no prior sale or assignment of any interest covered hereby; that the Lease is genuine and in all respects is what it purports to be; that Assignee shall not be liable for and does not assume responsibility for the performance of any of the covenants, agreements, or obligations specified in the Lease to be kept, paid or performed by Corporation with exception of Assignee's obligation to issue notices upon Lessee's default of the Lease and to convey title to the leased Property upon Lessee's exercise of its option to purchase said Property in conformance with the terms of the Lease. Corporation further represents and warrants that as of the date this assignment is made, the Lease is in full force and effect, has not been amended except as set forth in instrument delivered to Assignee and Lessee is not in default of any terms thereunder.

Corporation hereby constitutes and irrevocably appoints Assignee the true and lawful attorney of Corporation to demand, receive and endorse payments and to give receipts, releases and satisfactions either in the name of Assignee or in the name of Corporation in the same manner and with the same effect as Corporation could do if this Assignment of Lease had not been made. Within fifteen (15) days after receiving its full bargain with respect to each Schedule covered hereby, Assignee shall cause to be released to Lessee its vested interest in the Property thereto.

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

This Assignment shall be binding upon and inure to the benefit of the parties and their respective successors and assigns and is made in accordance with the Municipal Lease Placement Agreement dated as of January 1, 1999 entered into between Corporation and Assignee. In the case of litigation, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including attorneys' fees which may be the allocable cost of in-house counsel, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions, or provisions hereof.

IN WITNESS WHEREOF, Corporation has caused this Assignment of Lease to be executed by its duly authorized agent on the date specified below.

MUNICIPAL FINANCE CORPORATION
(assignor)

By ______________________

Title______________________

Date ______________________

ACKNOWLEDGEMENT OF ASSIGNMENT

The undersigned hereby acknowledges the assignment by MUNICIPAL FINANCE CORPORATION over to WILLIAM A. MORTON AND ANJA NOLTING MORTON, TRUSTEES OF THE WILLIAM A. MORTON AND ANJA NOLTING MORTON REVOCABLE TRUST DATED MAY 17, 2001 of that certain Lease with Option to Purchase #08-026 dated as of April 15, 2008 (the "Lease"), entered into between MUNICIPAL FINANCE CORPORATION as lessor and the undersigned as lessee.

With respect to the Lease, the undersigned agrees to pay, commencing with the first scheduled Rental Payment, all rentals and moneys due or to become due under said Lease to WILLIAM A. MORTON AND ANJA NOLTING MORTON, TRUSTEES OF THE WILLIAM A. MORTON AND ANJA NOLTING MORTON REVOCABLE TRUST DATED MAY 17, 2001, c/o Municipal Finance Corporation, 23945 Calabasas Road, Suite 103, Calabasas, CA 91302 and further agrees it shall have no counterclaim or offset against rentals due thereunder as to said Assignee and expressly further agrees that said Assignee shall not (except for the obligations specifically set forth in the foregoing Assignment of Lease) be liable for any of the obligations or burdens of the lessor under said Lease.

IN WITNESS WHEREOF, the lessee has caused this Acknowledgment of Assignment to be executed by its authorized agent on the date specified below.

CITY OF REDLANDS
(lessee)

By Jon Harrison
Jon Harrison

Title Mayor

Date April 15, 2008

ATTEST:
City Clerk

CERTIFICATE OF LESSEE

The undersigned, duly authorized representative of City of Redlands ("Lessee") as lessee under that Lease with Option to Purchase #08-026 dated as of April 15, 2008 ("Lease") with Municipal Finance Corporation as lessor, hereby certifies as follows:

1. I have been duly authorized to execute and deliver, on behalf of Lessee, the Lease and related documents pursuant to a resolution adopted by Lessee's governing body, which resolution is in full force and effect and has not been amended, modified, supplemented or rescinded as of the date hereof.

2. Lessee has complied with all agreements and covenants and satisfied all conditions contemplated by the Lease on its part to be performed or satisfied on or before the date hereof.

3. The representations, warranties and covenants of Lessee contained in the Lease are true and correct in all material respects as of the date hereof, as if made on this date.

4. No litigation is pending or, to the best of my knowledge, threatened (either in state or federal courts) (a) to restrain or enjoin the issuance and delivery of the Lease or the collection of revenues to be used to meet Lessee's obligations under the Lease; (b) in any way contesting or affecting the authority for the execution or delivery of the Lease, or the validity of the Lease; (c) in any way contesting the existence or powers of Lessee, as such existence or powers in any way relate to the issuance of the Lease or Lessee's obligations under the Lease, or (d) could materially adversely affect the financial position of Lessee.

5. The Property being leased pursuant to the Lease is essential to the function of Lessee and is immediately needed by Lessee. Such need is neither temporary nor expected to diminish during the Lease term. The Property is expected to be used by Lessee for a period in excess of the Lease term.

6. The scheduled Rental Payments for the Property do not exceed the fair rental value of the Property.

7. Lessee's federal tax identification number is 95-6000766.

8. That for calendar year 2008 and including the Information Return for Tax-Exempt Governmental Obligations Form 8038-G filed with the Internal Revenue Service for the Lease, Lessee has filed ______ Information Return Form(s) 8038-G with the Internal Revenue Service.

The meaning of the capitalized terms in this Certificate are the same as those provided in the Lease.

By: Jon Harrison
Jon Harrison, Mayor
Date: April 15, 2008

ATTEST:
[signature]
City Clerk

INCUMBENCY AND SIGNATURE CERTIFICATE

I do hereby certify that I am the duly appointed and acting Secretary/Clerk of the City of Redlands, a municipal corporation validly existing under the Constitution and laws of the State of California ("Lessee"), and that, as of the date hereof, the individual named below is the duly appointed officer of Lessee holding the office set forth opposite his/her respective name. I further certify that (i) the signature set forth opposite his/her respective name and title is true and authentic and (ii) such officer has the authority on behalf of Lessee to enter into that certain Lease with Option to Purchase #08-026 dated April 15, 2008, between Lessee and Municipal Finance Corporation, and all documents relating thereto.

Name	Title	Signature
Jon Harrison	Mayor	Jon Harrison

IN WITNESS WHEREOF, I have duly executed this certificate hereto this 15th day of April, 2008.

~~Secretary/Clerk~~
City Clerk

INCUMBENCY AND SIGNATURE CERTIFICATE

I do hereby certify that I am the duly appointed and acting Secretary/Clerk of the City of Redlands, a municipal corporation validly existing under the Constitution and laws of the State of California ("Lessee"), and that, as of the date hereof, the individual named below is the duly appointed officer of Lessee holding the office set forth opposite his/her respective name. I further certify that (i) the signature set forth opposite his/her respective name and title is true and authentic and (ii) such officer has the authority on behalf of Lessee to enter into that certain Lease with Option to Purchase #08-026 dated April 15, 2008, between Lessee and Municipal Finance Corporation, and all documents relating thereto.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Tina T. Kundig	Finance Director	Tina T. Kundig

IN WITNESS WHEREOF, I have duly executed this certificate hereto this 15th day of April, 2008.

[signature]

~~Secretary/Clerk~~
City Clerk

INSURANCE AUTHORIZATION LETTER

TO: Davis & Graeber Insurance Services Inc

470 E Highland Ave, PO Box 40

Redlands, CA 92373

Attn: Roberta Reeves

RE: Lease With Option To Purchase #08-026 dated April 15, 2008 between the undersigned as lessee, and MUNICIPAL FINANCE CORPORATION as lessor and WILLIAM A. MORTON AND ANJA NOLTING MORTON, TRUSTEES OF THE WILLIAM A. MORTON AND ANJA NOLTING MORTON REVOCABLE TRUST DATED MAY 17, 2001 as Assignee of lessor.

The Insurance Requirements listed below are required to cover property described as follows:
All Property covered by Lease #08-026 and further described as four Ford Crown Victoria sedans and one Ford Explorer

Located at: Redlands Police Department

Evidence of insurance in the form of a binder or cover letter is acceptable until formal certificates can be issued. Mail this within five (5) working days to:

WILLIAM A. MORTON AND ANJA NOLTING MORTON, TRUSTEES OF THE WILLIAM A. MORTON AND ANJA NOLTING MORTON REVOCABLE TRUST DATED MAY 17, 2001
c/o Municipal Finance Corporation
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

I. BODILY INJURY AND PROPERTY DAMAGE:

A. $1,000,000 combined limits (primary plus umbrella) for Bodily Injury and Property Damage Coverage.
B. Endorsement naming Assignee as an Additional Insured.
C. Endorsement giving Assignee thirty (30) days written notice of any cancellation, reduction, or alteration of coverage.
D. Endorsement stating: "It is understood and agreed that this insurance is primary insurance insofar as it relates to any and all equipment leased from Assignee."

II. PHYSICAL DAMAGE REQUIREMENTS:

A. All Risk Coverage for not less than the total cost of $126,486.13.
B. Endorsement naming Assignee as Loss Payee.
C. Endorsement giving Assignee thirty (30) days written notice of any cancellation, reduction, or alteration of coverage.
D. Endorsement stating: "It is understood and agreed that this insurance is primary insurance insofar as it relates to any and all equipment leased from Assignee."

The undersigned lessee hereby authorizes you to provide the lessor and Assignee with Certificates and Endorsements per the above.

CITY OF REDLANDS

By Jon Harrison
Jon Harrison, Mayor
Date April 15, 2008

ATTEST:

Dorie Payne
City Clerk

SELF-INSURANCE CERTIFICATE #08-026

This self insurance certificate is issued pursuant to that certain Lease with Option to Purchase dated April 15, 2008 ("Lease") by and between Municipal Finance Corporation ("Corporation"), a corporation duly organized and operating under the laws of the State of California as lessor and the City of Redlands, a municipal corporation duly organized and existing under the laws of the State of California ("Lessee") as lessee. The undersigned Lessee provides this Certificate as a description of its self-insurance program.

1. Property Insurance
   Lessee is self-insured for damage or destruction to the Property. YES NO (circle one)
   If yes, the dollar amount limit for property damage to the Property under the Lessee's self-insurance program is $__________
   The Lessee maintains an umbrella insurance policy for claims in excess of Lessee's self-insurance limits for property damage to the Property as indicated above. YES NO (circle one)
   If yes, the umbrella policy provides coverage for all risk property damage. YES NO (circle one)
   If yes, the dollar limit for property damage to the Property under such umbrella policy is $__________
   Name of self-insurance consortium (if applicable)
   ____

2. Liability Insurance
   Lessee is self-insured for liability or death of any person or damage or loss arising out of or relating to the condition or operation of the Property. YES NO (circle one)
   If yes, the dollar amount limit for liability coverage on the Property under the Lessee's self-insurance program is $500,000
   The Lessee maintains an umbrella insurance policy for claims in excess of Lessee's self-insurance limits for liability including injury or death of persons or damage to property as indicated above. YES NO (circle one)
   If yes, the umbrella policy provides coverage for liabilities for injury and death to persons as well as damage or loss of property arising out of or relating to the condition of the Property. YES NO (circle one)
   If yes, the dollar amount of the umbrella policy's limits for such liability coverage is $10,000,000
   Name of self-insurance consortium (if applicable) __________

3A. Lessee maintains a self-insurance fund. YES NO (circle one)
   If yes, please complete the following:
   Moneys in the self-insurance fund are subject to annual appropriation. YES NO (circle one)
   The total amount maintained in the self-insurance fund to cover Lessee's self-insurance liabilities is $500,000
   Amounts paid from the Lessee's self-insurance fund are subject to limitations for each claim. YES NO (circle one)
   If yes, the dollar amount of limit per claim is $ __________.

3B. If Lessee does not maintain a self-insurance fund, please complete the following:
   Lessee obtains funds to pay claims for which it has self-insurance from the following sources: __________
   The limitations on the amounts payable from the sources for claims are as follows: __________

4. The following entity or officer has authority to authorize payment for claim: City Council

In the event the entity or officer in the prior response denies payment of a claim, does the claimant have recourse to another administrative officer, agency or the courts? YES NO (circle one)

If yes, to whom does the claimant have recourse? Courts

IN WITNESS WHEREOF, Lessee has caused this Certificate to be executed and delivered by its duly authorized officer as of the date below written.

CITY OF REDLANDS

BY: Jon Harrison

Jon Harrison

TITLE: Mayor

ATTEST:

City Clerk

INSURANCE DATA #08-026

Please provide the information requested below.

A. Name, address, and phone number of the Agent handling Lessee's physical damage insurance.

Name: Davis & Graeber Insurance Services Inc

Address: 470 E Highland Ave, PO Box 40

Redlands, CA 92373

Phone #: (909) 793-2373

Contact: Roberta Reeves

B. Name, address, and phone number of the Agent handling Lessee's property damage/public liability insurance coverage. (If same as (A), write "same")

Name: "same"

Address: ______________________

____

Phone #: ______________________

Contact: ______________________

By: Jon Harrison

Jon Harrison, Mayor

ATTEST:

City Clerk

Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate Instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

If **Amended Return,** check here ▶ ☐

Part I Reporting Authority

1 Issuer's name: **City of Redlands**	2 Issuer's employer identification number: **95 6000766**
3 Number and street (or P.O. box if mail is not delivered to street address): **P.O. Box 3005**	Room/suite
	4 Report number: **3**
5 City, town, or post office, state, and ZIP code: **Redlands, CA 92373-1505**	6 Date of issue
7 Name of issue: **Lease with Option to Purchase # 08-026**	8 CUSIP number
9 Name and title of officer or legal representative whom the IRS may call for more information: **Tina Kundig, Finance Director**	10 Telephone number of officer or legal representative: **(909) 798-7541**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21		$	$	years	%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

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

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ ______ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ ______ years

33 Enter the last date on which the refunded bonds will be called ▶

34 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ ______ and the date of the issue ▶

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

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

Jon Harrison

Signature of issuer's authorized representative Date

Jon Harrison, Mayor

Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions. Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

Office of the
City Attorney
City of Redlands

Daniel J. McHugh
City Attorney
Michael Reiter
Assistant City Attorney

April 28, 2008

Municipal Finance Corporation
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

RE: Lease with Option to Purchase #08-026 dated as of April 15, 2008 by and between MUNICIPAL FINANCE CORPORATION, ("Corporation") as lessor, and CITY OF REDLANDS ("Lessee") as lessee.

Ladies and Gentleman:

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

1. Lessee is a municipal corporation and political subdivision of the State of California (the "State"), duly organized, existing and operating under the Constitution and Laws of the State.

2. Lessee is authorized and has the power under applicable law to enter into the Lease, and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The Lease has been duly authorized, approved, executed and delivered by and on behalf of Lessee, and is a legal, valid and binding contract of Lessee enforceable in accordance with its terms, except to the extent limited by State and Federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditor's rights.

4. A resolution duly authorizing the execution and delivery of the Lease and related documents was duly adopted by the governing body of Lessee on April 1, 2008 and such resolution has not been amended or repealed and remains in full force and effect.

P.O. Box 3005 • Redlands, CA 92373 • (909) 798-7595 • FAX (909) 798-7503

5. There is no litigation, action, suit or proceeding pending or, to the best of my knowledge after due inquiry, threatened before any court, administrative agency, arbitrator or governmental body that challenges the authority of Lessee to enter into the Lease or the transactions contemplated thereby.

This opinion may be relied upon by Municipal Finance Corporation, its successors and assigns.

Dated: April 28, 2008

Sincerely,

Daniel J. McHugh
City Attorney for the City of Redlands

DOCUMENTATION INSTRUCTIONS AND REFERENCE

The following documents represent the complete Lease documentation package:

1. Lease with Option to Purchase
2. Lease Schedule
3. Assignment of Lease and Acknowledgment of Assignment
4. Certificate of Lessee
5. Incumbency and Signature Certificate
6. Certificate of Acceptance (executed upon final acceptance of Property)

All of the above documents shall be executed with original signatures. The signatory should be the officer(s) referenced in the resolution.

In addition to the above documents, the following additional items are required:

✓**Resolution**	Please send an original or certified copy of the resolution adopted by the governing body.
sent to ca 4/23 **Legal Opinion**	Please forward the Lease documentation to your counsel for legal review and the issuance of a legal opinion like the sample provided. The legal opinion should be on the counsel's letterhead and bear an original signature.
Insurance	Please fill out the Insurance Authorization Letter, the Insurance Data Form and the Self-Insurance Certificate (if applicable). FAX the Insurance Authorization Letter to your insurance agent(s) and to MFC ASAP. Return completed original along with the Insurance Data Form, the Self-Insurance Certificate and other Lease documents.
8038-G Form	Sign and date. MFC will file the form upon funding.
Vendor Invoice	Include original invoice for each disbursement to be made to vendor. Sign on each invoice "Approved as to Payment". Attach to Authorization to Disburse form.
Authorization to Disburse or Reimburse	Sign applicable form and attach to invoice or copies of appropriate backup (invoice and check) documents.

Please call Dixie Matte, Manager of Administration, if you have any questions regarding documentation procedures.