

MASTER MUNICIPAL LEASE AND OPTION AGREEMENT

Lessor: Municipal Services Group, Inc.
5125 South Kipping Parkway
Suite 300
Littleton, CO 80127

Lessee: City of Lincoln
555 South 10th Street, Room B367
Lincoln, NE 68508

This Master Municipal Lease and Option Agreement (the "Agreement") is entered into between Municipal Services Group, Inc. (together with any assignee thereof collectively referred to herein as "Lessor") and the City of Lincoln ("Lessee"), a municipal entity duly organized and existing under the laws of the state of Nebraska ("State");

WITNESSETH:

WHEREAS, Lessee desires to finance the Equipment pursuant to the terms of this Agreement; and

WHEREAS Lessor desires to lease certain Equipment (referred to collectively as the "Equipment" or "Unit(s) of Equipment") to Lessee, and Lessee desires to lease the Equipment from Lessor, subject to the terms and conditions of and for the purposes set forth in this Agreement; and

WHEREAS, Lessor, simultaneously with the execution and delivery of this Agreement, may enter into an escrow agreement (the "Escrow Agreement") with an escrow agent designated by Lessor (the "Escrow Agent") whereby Lessor, or its assignee, if any, shall deposit monies sufficient to finance the Equipment to be leased hereunder; and

WHEREAS, Lessee is authorized under the Constitution and laws of the State to enter into this Agreement for the purposes set forth herein;

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

**ARTICLE I
COVENANTS OF LESSEE**

Lessee represents, covenants and warrants, for the benefit of Lessor and its assignees, as follows:

- (a) Lessee is a public body, corporate and politic, duly organized and existing under the Constitution and laws of the State.
- (b) Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.
- (c) Lessee is authorized under the Constitution and laws of the State to enter into this Agreement, all Individual Payment Schedules (as defined below) and the transaction contemplated hereby, and to perform all of its obligations hereunder.
- (d) Lessee has been duly authorized to execute and deliver this Agreement and each of the Individual Payment Schedules under the terms and provisions of the ordinance or resolution of its governing body, attached hereto as Exhibit A, and by other appropriate official approval, and further represents and warrants that all requirements have been met, and procedures have occurred in order to insure the enforceability of this Agreement, and Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder. Lessee shall cause to be executed an opinion of its counsel substantially in the form attached hereto as Exhibit B.
- (e) During the term of this Agreement, the Equipment will be used by Lessee only for the purpose of performing one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority and will not be used in a trade or business of any person or entity other than Lessee.
- (f) Each lease of specific Equipment or Unit(s) of Equipment hereunder shall be evidenced by an Individual Payment Schedule executed by Lessor and Lessee describing specific personal property, and setting forth provisions relating to the rent, the term of lease, disposition of Equipment upon the expiration of the Lease Term (as defined herein) and other details with respect to it. The lease for each Unit of Equipment shall become effective on the Accrual Date, as defined below, and the Individual Payment Schedule for the Unit or Unit(s) of Equipment shall specify such date as the effective date of the lease. The Lease Term shall commence on the Accrual Date as indicated therein and shall terminate as specified in Section 4.03 hereof.
- (g) During the period this Agreement is in force, Lessee will annually provide, if requested by Lessor, current financial statements, budgets, proof of appropriation for the ensuing fiscal year (if appropriate), and such other financial information relating to the ability of Lessee to continue this Agreement as may be reasonably requested by Lessor or its assignee.
- (h) Each Unit of Equipment acquired under this Agreement will have a useful life in the hands of Lessee that is substantially in excess of the Lease Term specifically relating to it.
- (i) All Equipment subject to this Agreement is, and during the period this Agreement is in force shall remain personal property.
- (j) This Agreement applies to all items of personal property acquired, or to be acquired, by Lessee as evidenced by the execution of Individual Payment Schedules from time to time as may be required to fulfill Lessee's equipment needs.

ARTICLE 2 DEFINITIONS

The following terms will have meanings indicated below unless the context clearly requires otherwise:

"Acceptance Certificate" means the Acceptance Certificate attached hereto as Exhibit F relating to the applicable Unit(s) of Equipment whereby Lessee acknowledges acceptance of the applicable Unit of Equipment in good condition.

"Accrual Date" is the date when the term of the Individual Payment Schedule begins and Lessee's obligation to pay rent accrues. The lease for each Unit of Equipment shall become effective on the Accrual Date, which shall be the Dated Date specified in Exhibit(s) E hereto.

"Acquisition Cost(s)" means the total cost of acquiring, including any delivery charges, and preparing the Equipment for Lessee's use.

"Adjusted Base Interest Rate" means the Base Interest Rate as adjusted and as described in the Individual Payment Schedules.

"Base Interest Rate" means the interest rate as set forth in the respective Individual Payment Schedules.

"Individual Payment Schedule(s)" means the schedules which identify specific Units of Equipment, the Accrual Dates of the lease and terms thereof (which are treated as separate leases) which may become a part of this Agreement from time to time. Each Individual Payment Schedule(s) shall consist of at least substantially the forms attached hereto as Exhibit(s) A, Exhibit(s) B, Exhibit(s) C, Exhibit(s) D, Exhibit(s) E, and Exhibit(s) F, including an original invoice and any other documents needed to perfect a security interest in the Equipment by Lessor.

"Lease Term" means the term of this Agreement from the Accrual Date to the termination date.

"Purchase Price" means the amount which Lessee may, in its discretion, pay to Lessor in order to purchase the Equipment, as set forth in Exhibit(s) E hereto or as set forth in any applicable Individual Payment Schedule.

"Rental Payments" mean the rental payments payable by Lessee for each Unit of Equipment pursuant to the provisions of this Agreement and any applicable Individual Payment Schedule during the Lease Term, payable in consideration of the right of Lessee to use the Equipment during the Lease Term. Rental Payments shall be payable by Lessee to Lessor or its assignee in the amounts and at the times during the Lease Term as set forth in the Individual Payment Schedules made a part of this Agreement.

"Vendor" means (i) the manufacturer/contractor of the Equipment as well as the agents or dealers of the manufacturer from whom Lessor purchased or is purchasing the Equipment or (ii) Lessor, if so designated as herein above.

ARTICLE 3 DEPOSIT OF MONIES; ACQUISITION AND LEASE OF EQUIPMENT

Section 3.01. Deposit of Monies, Transfers Upon Acceptance. In the event an Escrow Agreement is entered into pursuant to this Agreement, Lessor shall cause to be deposited in the Acquisition Fund created under such Escrow Agreement and held by the Escrow Agent, monies sufficient to acquire the Equipment to be leased hereunder.

Upon the expiration of three years from the Accrual Date, unless notified earlier by Lessor and Lessee, the Escrow Agent shall apply any monies in the Acquisition Fund representing the contract price to have been paid to the Vendor(s) for any portion of the Equipment and related equipment for which Lessee has not executed an Acceptance Certificate to the reduction of the unpaid principal balance by paying such monies directly to Lessor. The remaining Rental Payments shall be amended to reflect such prepayment of principal. Lessee shall execute a revised Exhibit E to acknowledge such change.

Section 3.02. Lessee is Agent - Acquisition of the Equipment. Lessor hereby appoints Lessee as its agent solely for the purpose of acquiring the Equipment, and Lessee hereby accepts such appointment. Lessee and Lessor will do all things necessary to effect the acquisition of the Equipment free and clear of any encumbrances and subject the same to the security interests contemplated hereunder. Lessor agrees to acquire the Equipment pursuant to Lessee's specifications. Lessor shall not be responsible for the obligations of Vendor, and a failure by the Vendor to perform shall not affect Lessee's obligation to make Rental Payments under this Agreement. Lessee agrees that the Equipment will be acquired in accordance with the terms, conditions and specifications therefor and on file with Lessor.

Upon completion of acquisition of the Equipment satisfactory to Lessee and after authorization by Lessor, but in any event not later than thirty (30) days following completion of such acquisition, Lessee shall deliver to the Escrow Agent an executed Acceptance Certificate.

Section 3.03. Payment of Acquisition Costs. Payment to the Vendor(s) of the Acquisition Cost(s) of acquiring the Equipment shall be made from the monies deposited with the Escrow Agent, as provided in Section 3.01, which shall be disbursed for that purpose in accordance with and upon compliance with the Escrow Agreement. In the event such monies are insufficient to pay all Acquisition Costs, Lessee shall pay the remaining Acquisition Costs from its own funds.

ARTICLE 4 LEASE TERM

Section 4.01. Lease of Equipment. Lessor hereby demises, leases, and lets to Lessee, and Lessee rents, leases, and hires from Lessor, the Equipment in accordance with the provisions of this Agreement, to have and to hold for the Lease Term.

Section 4.02. Commencement of Lease Term. The Lease Term of any Individual Payment Schedule shall commence on the Accrual Date and shall terminate as specified in Section 4.03 hereof.

Section 4.03. Termination of Lease Term. The Lease Term as it pertains to any Individual Payment Schedule will terminate upon the earliest of any of the following events:

- (a) the exercise by Lessee of the option to purchase the Equipment granted under the provisions of Articles 9 or 11 hereof;

(b) a Default by Lessee and Lessor's election to terminate this Agreement under Article 13; or

(c) the payment by Lessee of all Rental Payments, late payment charges, past due finance charges, monies due to release liens of any kind whatsoever, or other taxes and utilities authorized or required to be paid by Lessee hereunder or under any Individual Payment Schedule.

ARTICLE 5 ENJOYMENT OF EQUIPMENT

Lessor hereby covenants to provide Lessee during the Lease Term with quiet use and enjoyment of the Equipment, and Lessee shall during the Lease Term, peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Agreement.

Lessor shall have the right at all reasonable times during business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

ARTICLE 6 RENTAL PAYMENTS

Section 6.01. Rental Payments Constitute a Firm Obligation of Lessee. Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments hereunder and under each Individual Payment Schedule shall constitute a firm obligation and debt of Lessee.

Section 6.02. Payment of Rental Payments. Lessee shall pay Rental Payments, from revenues on deposit in its Golf Enterprise Fund (the "Enterprise Fund") and, in the event of a shortfall in the Enterprise Fund, from its General Fund on an appropriation basis, in lawful money of the United States of America to Lessor or, in the event of assignment by Lessor, to its assignee, in the amounts and no later than the dates set forth in the applicable Individual Payment Schedule(s). The revenues in the Enterprise Fund are hereby pledged by Lessee for such purposes, and Lessor is hereby granted a security interest constituting a lien in the Enterprise Fund, subordinate only to the existing Golf Course Revenue Bonds. In the event Lessor or its assignee does not receive Rental Payments within such period of time, then and in such event, a twenty-five dollar (\$25.00) late charge will be assessed plus finance charges based on a percentage of the outstanding principal balance, equal to the lesser of twelve percent (12%) per annum or the highest interest rate legally allowable under the laws of the State. Said charges shall be due and payable as of the date of the invoice for such charges.

Section 6.03. Interest and Principal Components. A portion of each Rental Payment payable hereunder is paid as, and represents payment of, interest, and the balance of the Rental Payment payable hereunder is paid as, and represents payment of, principal. Exhibit(s) E hereto and each Individual Payment Schedule sets forth the interest component and the principal component of each Rental Payment during the Term of the respective Individual Payment Schedules.

Section 6.04. Rental Payments to be Unconditional. The obligations of Lessee to make payment of the Rental Payments required under this Article 6 and other sections of this Agreement, and to perform and observe the covenants and agreements contained herein, shall be absolute and unconditional in all events, except as expressly provided under this Agreement. Notwithstanding any dispute between Lessee and Lessor, any Vendor or any other person, Lessee shall make all Rental Payments when due and shall not withhold any Rental Payments, nor shall Lessee assert any right of withholding, set-off or counterclaim against its obligation to make such payments required under this Agreement. Lessee's obligation to make Rental Payments during the Lease Term shall not be abated through accident or unforeseen circumstances.

ARTICLE 7 TITLE TO EQUIPMENT; SECURITY INTEREST

Section 7.01. Title to the Equipment. During the term of this Agreement, title to the Equipment and any and all additions, repairs, replacements or modifications shall vest in Lessee, subject to the rights of Lessor hereunder. Following an Event of Default as set forth in Section 13.01, or upon other termination of this Agreement for any reason other than Lessee's rights under Section 4.03 (b), title to the Equipment shall immediately vest in Lessor, and Lessee will reasonably surrender possession of the Equipment to Lessor.

Section 7.02. Security Interest. To secure the payment of all of Lessee's obligations under this Agreement, Lessee grants to Lessor a security interest constituting a first lien on the Equipment and on all additions, attachments, accessions and substitutions thereto, and on any proceeds therefrom. Lessee agrees to execute such additional documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to Lessor, and to pay all fees required to establish and maintain Lessor's security interest, and upon assignment, the security interest of any assignees of Lessor, in the Equipment.

Lessor may request that Lessee affix labels to the Equipment showing Lessor's interest in it during the term that the Agreement is in effect.

ARTICLE 8 MAINTENANCE; MODIFICATION; TAXES; INSURANCE AND OTHER CHARGES

Section 8.01. Maintenance of Equipment by Lessee. Lessee agrees that at all times during the Lease Term, at Lessee's own cost and expense, to cause maintenance to be performed in such a way so as to make all necessary and proper repairs, replacements and renewals of such component parts as may from time to time be required and to maintain, preserve and keep the Equipment in good repair, working order and condition. To the extent of the provisions of this Agreement and except as may otherwise be agreed to, neither Lessor nor any of its assignees shall have responsibility in any of these matters, or for the making of improvements or additions to the Equipment.

Section 8.02. Taxes, Other Governmental Charges and Utility Charges. The parties to this Agreement contemplate that the Equipment will be used for a governmental or proprietary purpose of Lessee and, therefore, that the Equipment will be exempt from all taxes presently assessed and levied with respect to personal property. In the event that the use, possession or acquisition of the Equipment is found to be subject to taxation in any form (except for income taxes of Lessor), Lessee will pay during the Lease Term, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment and any equipment or other property acquired by Lessee in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Equipment, provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, Lessee may elect to pay only such installments as have accrued during the time this Agreement is in effect.

Section 8.03. Provisions Regarding Insurance. At its own expense, Lessee shall cause casualty, public liability and property damage insurance to be carried and maintained, or shall demonstrate to the satisfaction of Lessor that adequate self-insurance is provided based upon actuarial sound insurance criteria as are consistent with generally accepted insurance industry standards with respect to the Equipment, sufficient to protect the Full Insurable Value (as that term is hereinafter defined) of the Equipment, and to protect Lessor from liability in all events and which name Lessor and/or its assignee as additional named insured and as a Lender Loss Payee thereunder. All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. Lessee shall furnish to Lessor Certificates evidencing such coverage throughout the Lease Term and for each Individual Payment Schedule.

Lessee shall notify Lessor within five (5) business days of any event of damage to or destruction of the Equipment.

The term "Full Insurable Value" as used herein shall mean the full replacement value of the Equipment, but in no event less than the applicable Purchase Price.

Any insurance policy pursuant to this Section 8.03 shall be so written or endorsed as to make losses, if any, payable to Lessee and Lessor as their respective interests may appear. The Net Proceeds (as defined in Section 9.01) of the insurance required in this Section 8.03 shall be applied as provided in Article 9 hereof. Each insurance policy provided for in this Section 8.03 shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of Lessor without first giving written notice thereof to Lessor at least 30 days in advance of such cancellation.

Section 8.04. Advances. In the event Lessee shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Equipment in good repair and operating condition, Lessor may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may cause to be made such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by Lessor shall become additional rent for the Lease Term for the applicable Individual Payment Schedule or Schedules, which amounts, together with interest thereon at the rate of 12% per annum, Lessee agrees to pay.

Section 8.05. Tax Covenants. Lessee will not make or direct any use of the proceeds of the obligation provided herein or any other funds of Lessee which will cause such obligation to be an "arbitrage bond" within the meaning of Section 148 of the Code, to be "federally guaranteed" within the meaning of Section 149 of the Code, or to be a "private activity bond" within the meaning of Section 141 (a) of the Code. To that end, so long as any Rental Payments are unpaid, Lessee, with respect to such proceeds and such other funds, will comply with all requirements of such Code sections and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect. Furthermore, to the extent applicable pursuant to Section 148 (f) of the Code, Lessee covenants to complete or cause to be completed all reporting requirements and rebate all required arbitrage income to the United States of America. Lessee covenants that the Equipment will be used only for the purpose of performing one or more governmental or proprietary functions of Lessee, and the Equipment will not be used in a trade or business of any person or entity other than Lessee on a basis different from the general public. Lessee will not use or permit the use of the Equipment by any person for a "private business use" within the meaning of Section 141 (b) of the Code in such manner or to such extent as would result in the inclusion of interest received hereunder in gross income for federal income tax purposes under Section 103 of the Code.

Lessor and Lessee shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest component of the Rental Payments will not be included in the gross income of Lessor for federal income tax purposes.

ARTICLE 9 DAMAGE, DESTRUCTION AND CONDEMNATION: USE OF NET PROCEEDS

Section 9.01. Damage, Destruction and Condemnation. Unless Lessee shall have exercised its option to purchase the Equipment or any Unit thereof by making payment of the Purchase Price as provided herein or in the applicable Individual Payment Schedule, if prior to the termination of the Lease Term (a) the Equipment or any Unit or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any Unit or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee and Lessor will cause the Net Proceeds (as defined below) of any insurance claim or condemnation awarded to be applied to the prompt repair, restoration, modification or improvement of the Equipment. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee.

For purposes of Section 8.03 and this Article 9, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Section 9.02. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 9.01 hereof, Lessee shall either (a) complete the repair or replacement of damaged property and pay any costs in excess of the amount of Net Proceeds or (b) pay to Lessor the amount of the applicable Purchase Price, applying Net Proceeds to such payment.

ARTICLE 10 DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE EQUIPMENT

Section 10.01. Disclaimer of Warranties. AS BETWEEN LESSOR AND LESSEE, DELIVERY OF EQUIPMENT TO LESSEE AND EXECUTION BY LESSEE OF AN ACCEPTANCE CERTIFICATE WITH RESPECT THERETO SHALL CONSTITUTE LESSEE'S ACKNOWLEDGEMENT THAT THE EQUIPMENT IS IN GOOD ORDER AND CONDITION AND IS OF THE MANUFACTURE, DESIGN AND CAPACITY SELECTED BY LESSEE, THAT LESSEE IS SATISFIED THAT THE SAME IS SUITABLE FOR ITS PURPOSE, AND THAT FOR PURPOSES OF THIS AGREEMENT LESSOR'S ASSIGNEES MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED WITH RESPECT TO EQUIPMENT, INCLUDING WITHOUT LIMITATION, ITS VALUE, DESIGN, CAPACITY, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS INTENDED FOR USE OF THE EQUIPMENT, OR WARRANTY WITH RESPECT THERETO AND LESSOR AND ITS ASSIGNEES HEREBY DISCLAIM ALL SUCH REPRESENTATIONS AND WARRANTIES. THIS SECTION IS INTENDED TO APPLY BETWEEN LESSOR AND LESSEE ONLY TO THE EXTENT OF THE FINANCING CONTEMPLATED HEREIN AND IN NO EVENT IS INTENDED TO AFFECT THE WARRANTIES OR REPRESENTATIONS CONTAINED IN OR INCLUDED WITHIN ANY CONTRACT ENTERED INTO FOR THE ACQUISITION OF THE EQUIPMENT EITHER WITH LESSOR, OR ANY OTHER VENDOR. NOTWITHSTANDING THE FOREGOING, IN THE EVENT LESSOR IS A VENDOR, LESSEE SHALL BE ENTITLED TO ALL APPLICABLE VENDOR WARRANTIES AS TO THE EQUIPMENT, PROVIDED THAT SUCH RIGHTS SHALL PERTAIN SOLELY TO LESSOR AS VENDOR, AND NOT TO ANY SUCCESSORS OR ASSIGNS OF LESSOR UNDER THIS AGREEMENT. In no event shall an assignee, if any, of Lessor be liable for any incidental, direct, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or Lessee's use of any item or

products or services provided for in this Agreement.

Section 10.02. Vendor's Warranties. Lessor hereby irrevocably appoints Lessee its agent and attorney-in-fact during the Lease Term, so long as Lessee shall not be in Default hereunder, to assert from time to time whatever claims and rights, including warranties of the Equipment, which Lessor may have against the Vendor of the Equipment. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against the Vendor of the Equipment, and not against Lessor or an assignee, if any, of Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of Lessor with respect to this Agreement, including the right to receive full and timely payments hereunder. Lessee expressly acknowledges that an assignee, if any, of Lessor makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the Vendor of the Equipment.

Section 10.03. Use of the Equipment. Lessee will not use, operate or maintain the Equipment or cause the Equipment to be used, operated or maintained improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Lessee shall provide or cause to be provided all permits and licenses, if any, necessary for the operation of the Equipment; provided, however, that Lessee may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the estate of Lessor in and to any of the Items of Equipment or its interest or rights under this Agreement.

Lessee shall notify Lessor within five (5) business days if there are any claims or lawsuits arising in connection with the Equipment or use thereof.

ARTICLE 11 OPTION TO PURCHASE

Lessee is hereby granted the option to prepay obligations under this Agreement and purchase the Equipment for the Purchase Price set forth in Exhibit(s) E hereto or on any applicable Individual Payment Schedule(s). At the request of Lessee, Lessor's security interest in the Equipment will be terminated and this Agreement shall terminate:

(a) at the end of the Lease Term, upon payment in full of Rental Payments due hereunder, plus all past due charges and other amounts hereunder then due and owing, if any; or

(b) at any regularly scheduled payment due date by making the Rental Payment plus the corresponding Purchase Price as set forth in the applicable Individual Payment Schedule, plus all past due charges and other amounts hereunder then due and owing, if any; or

(c) at any time other than on a regularly scheduled payment due date by paying the preceding Purchase Price as set forth in the Individual Payment Schedules, plus accrued interest on the outstanding principal balance at the Base Interest Rate thereon to the date of settlement thereof, plus all past due charges and other amounts hereunder then due and owing, if any; or

(d) if the Lease Term is terminated pursuant to Article 9 of this Agreement, in the event of total damage, destruction or condemnation of the Equipment or any Unit thereof and, if Lessee is not on such date in Default under this Agreement, upon payment of the then applicable Purchase Price to Lessor plus all past due charges and other amounts hereunder then due and owing, if any.

ARTICLE 12 ASSIGNMENT, SUBLEASING, INDEMNIFICATION MORTGAGING AND SELLING

Section 12.01. Assignment by Lessor. This Agreement, and Lessor's right to receive payments hereunder, may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time subsequent to this execution, without the necessity of obtaining the consent of Lessee; provided, however, that no such assignment or reassignment shall be effective against Lessee unless and until (i) Lessee shall have received notice of the assignment or reassignment disclosing the name and address of the assignee or subassignee, and (ii) in the event that such assignment or reassignment is made to a bank or trust company as trustee for holders of certificates or other evidence representing interest in this Agreement, or rights to receive amounts hereunder, such bank or trust company agrees to maintain, or cause to be maintained on behalf of and as agent for Lessee, a book-entry system by which a record of the names and addresses of such holders as of any particular time is kept and agrees, upon request of Lessee, to furnish such information to Lessee. Upon receipt of notice of assignment, Lessee agrees to reflect in a book entry the assignee designated in such notice of assignment, and to make all payments to the assignee designated in the notice of assignment, notwithstanding any claim, defense, set-off or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that Lessee may from time to time have against Lessor, or the assignee. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by Lessor or its assignee to protect their interests in the Equipment and in this Agreement.

Section 12.02. No Sale, Assignment or Subleasing by Lessee. This Agreement and the interest of Lessee in the Equipment may not be sold, assigned or encumbered by Lessee without the prior written consent of Lessor, which consent may be withheld in the total discretion of Lessor taking into account, among other things, the treatment for federal income tax purposes of the interest component of the Rental Payments.

Section 12.03. Release and Indemnification Covenants. Except for the intentional or negligent acts of Lessor or any of its employees or agents thereof arising out of 1) entering into this Agreement, and/or 2) any liability, obligation, loss, claim or damage arising out of or in connection with any misstatement of a material fact or failure to make a statement of material fact by Lessor or any assignee thereof (other than a misstatement by Lessee) in connection with any offer, sale or other transfer of this Agreement or any interest herein, to the extent permitted by the laws and Constitution of the State, Lessee shall protect, hold harmless, and indemnify Lessor from and against any and all liability, obligations, losses, claims and damages, regardless of cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Agreement in connection with the ownership or intended ownership, delivery, rejection, storage or return of any item of Equipment or any accident in connection with the operation, use, condition, possession, storage or return of any item of Equipment resulting in damage to property or injury to or death to any person. Lessee's agreement to protect, hold harmless, and indemnify Lessor under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Lease Term for any reason.

ARTICLE 13 EVENTS OF DEFAULT AND REMEDIES

Section 13.01. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by Lessee to pay any Rental Payment or other payment required to be paid hereunder at the time specified herein; and

(b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 13.01(a) or 13.01(c), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied as given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action deemed appropriate by Lessor in its sole discretion, is instituted by Lessee within the applicable period and diligently pursued until the Default is corrected; and

(c) Failure by Lessee to maintain insurance on the Equipment in accordance with Section 8.03 hereof;

(d) A determination by Lessor that any material representation or warranty of Lessee was untrue when made.

The foregoing provisions of this Section 13.01 are subject to, if by reason of force majeure Lessee is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of Lessee contained in Article 6 and Section 8.03 hereof, Lessee shall not be deemed in Default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or of the state wherein Lessee is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; or explosions.

Section 13.02. Remedies on Default. Whenever any Event of Default referred to in Section 13.01 hereof shall have happened and be continuing, Lessor shall have the right, at its sole option without further demand or notice, to take one or any combination of the following remedial steps:

(a) With or without terminating this Agreement, (i) enter upon the location and retake possession of the Equipment and sell, lease or sublease the Equipment for the account of Lessee, holding Lessee liable for the rents and other amounts payable by Lessee hereunder to the end of the Lease Term, or (ii) require Lessee to assemble, pack, return and pay the costs of returning the Equipment, within ten (10) days, to a location specified by Lessor, and

(b) With or without terminating this Agreement, declare all Rental Payments due or to become due to immediately become due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable.

(c) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights as Lessor of the Equipment.

Section 13.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. Any repossession or subsequent sale or lease by Lessor of any item or Unit of Equipment shall not bar an action against Lessee for a deficiency, and the bringing of any action against or the entry of judgment against Lessee shall not bar Lessor's right to repossess any or all Units of Equipment. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

ARTICLE 14 MISCELLANEOUS

Section 14.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at their respective places of business.

Section 14.02. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 14.03. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof, and the invalid or unenforceable provision shall be reformed and revised to be enforceable to the full extent permissible under the laws of the State.

Section 14.04. Amendments. The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by Lessor and Lessee, nor shall any such amendment that affects the rights of Lessor's assignee be effective without such assignee's consent.

Section 14.05. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.06. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Nebraska.

Section 14.07. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 14.08. Entire Agreement. This Agreement constitutes the entire agreement between Lessor and Lessee as to the matters herein described. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing signed by both parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, representations or warranties, express or implied, not specified herein regarding this Agreement or the Equipment leased hereunder. Any terms and conditions of any purchase order or other document submitted by Lessee in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lessor and will not apply to this Agreement. Lessee by the signature below of its authorized representative acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and conditions.

IN WITNESS WHEREOF, Lessor has executed this Agreement in its corporate name and attested by its duly authorized officers, and Lessee has caused this Agreement to be executed in its corporate name and attested by its duly authorized officers. This document is dated as of the Accrual Date, whether or not executed as of such date.

LESSEE: City of Lincoln

Attest:

By: _____

Title: _____

By: _____

Title: _____

Date: _____

LESSOR: Municipal Services Group, Inc.

Attest:

By: _____

Title: _____

By: Susan Harbay

Title: VP

Date: 4-20-07

INDIVIDUAL PAYMENT SCHEDULE #1

TO

MASTER MUNICIPAL LEASE AND OPTION AGREEMENT NUMBER 1696

Entered into February 22, 2007, (the "Dated Date") by and between Lessor and Lessee, this Individual Payment Schedule #1 is made a part of Master Municipal Lease and Option Agreement Number 1696 and hereby incorporates all terms and conditions of said Agreement with respect to Lessee's and Lessor's rights in the personal property described in this Schedule.

This Individual Payment Schedule consists of:

Exhibit A	Resolution of Governing Body
Exhibit B	Opinion of Lessee's Counsel
Exhibit C	Certificate as to Arbitrage
Exhibit D	Description of Equipment
Exhibit E	Schedule of Payments
Exhibit F	Acceptance Certificate
Exhibit G	Insurance Coverage Requirements
Supplements:	8038-G IRS Filing

LESSOR: Municipal Services Group, Inc.

LESSEE: City of Lincoln

By: Susan Harbaya
Title: VP
Date: 4-20-07

By: _____
Title: _____
Date: _____

ORDINANCE NO. _____

1 AN ORDINANCE accepting and approving a Lease Agreement between
2 the City of Lincoln, Nebraska ("City"), and Municipal Services Group, Inc. ("Lessor") for
3 a five-year lease of golf course maintenance equipment for use by the City Parks and
4 Recreation Golf Division.

5 BE IT ORDAINED by the City Council of the City of Lincoln, Nebraska:

6 Section 1. That the Master Municipal Lease Agreement between the
7 City of Lincoln, Nebraska, and Municipal Services Group, Inc., which is attached hereto
8 marked as Attachment "A" and made a part hereof by reference, under which the City
9 will lease from the Lessor 32 pieces of new golf course maintenance equipment for use
10 by the City Parks and Recreation Golf Division for a period of five years upon the terms
11 and conditions as set forth in said Master Municipal Lease Agreement is hereby
12 accepted and approved, and the Mayor is authorized to execute said Master Municipal
13 Lease Agreement on behalf of the City.

14 Section 2. This ordinance shall take effect and be in force from and
15 after its passage and publication according to law.

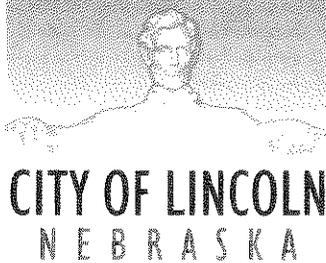
Introduced by:

Approved as to Form and Legality:

City Attorney

Approved this ____ day of _____, 2007:

Mayor



Law Department 402-441-7281
Dana W. Roper, City Attorney
575 South 10th Street
Suite 4201
Lincoln, Nebraska 68508

Ernest R. (Rick) Peo III, Chief Assistant
Richard C. Anderson, Police Legal Advisor
Civil Division
James D. Faimon Steven J. Huggenberger
Connor L. Reuter Margaret M. Blatchford
Tonya L. Skinner Joe J. Rupp Miki Esposito

John C. McQuinn II, Chief Prosecutor
Prosecution Division
Patrick A. Campbell Christine A. Loseke
Rob E. Caples Marcee A. Brownlee
Jessica Kerkhofs



MAYOR COLEEN J. SENG

lincoln.ne.gov

Exhibit B
Opinion of Counsel

April 23, 2007

Municipal Services Group, Inc.
5125 South Kipling Parkway, Suite 300
Littleton, CO 80127

Ladies and Gentlemen:

As Counsel for the City of Lincoln ("Lessee"), we have examined duly executed originals of Individual Payment Schedule No. 1 and the Master Municipal Lease and Option Agreement No. 1696 (the "Agreement") by and between Lessee as lessee and Municipal Services Group, Inc. ("Lessor") as lessor, the proceedings taken by Lessee to authorize and execute the Agreement together with the other related documents, and the Constitution and laws of the state of Nebraska (the "State") as presently enacted and construed. Based upon said examination and upon such other examination as we have deemed necessary or appropriate, it is our opinion that:

1. Lessee was duly organized and validly exists under the Constitution and laws of the State as a political subdivision of the State.
2. The Agreement has been duly authorized, executed and delivered by Lessee, pursuant to Constitutional, statutory and/or home rule provisions that authorized this transaction and the Ordinance attached as Exhibit A to the Agreement.
3. The Agreement is a legal and binding obligation of Lessee, enforceable in accordance with its terms. To the extent lawful, in the event Lessor obtains a judgement against Lessee in money damages, as a result of an Event of Default under the Agreement, Lessee will be obligated to pay such judgement.
4. Applicable public bidding requirements have been complied with.
5. To the best of my knowledge no litigation is pending or threatened in any court or other tribunal, state or Federal, in any way questioning or affecting the validity of the Ordinance or the Agreement.
6. The signatures of the officers of Lessee that appear on the Agreement are true and genuine; I know said officers and know them to hold the offices set forth below their names.
7. The Equipment leased pursuant to the Agreement constitutes personal property under applicable law and when subjected to use by Lessee will not be construed as a fixture.
8. Lessee is a political subdivision within the meaning of Section 103 of the Internal Revenue Code and the related regulations and rulings.

This Opinion of Counsel may be relied upon by any permitted successor(s) and assignee(s) of Municipal Services Group, Inc.


Attorney for Lessee

EXHIBIT C

CERTIFICATE AS TO ARBITRAGE

I, the undersigned officer of the City of Lincoln in the state of Nebraska (the "Lessee") being the person duly charged, with others, with responsibility of issuing Lessee's obligation in the form of that certain Master Municipal Lease and Option Agreement Numbered 1696 (the "Agreement") by and between Lessee and Municipal Services Group, Inc. as lessor (the "Lessor") HEREBY CERTIFY that:

1. The Agreement was executed and delivered by Lessee under and pursuant to existing law to finance the acquisition of the Equipment as described in the Agreement.

2. Pursuant to the Agreement, Lessee is entitled to the use and possession of the Equipment in consideration for the obligations of Lessee under and pursuant to the Agreement. The Equipment will be used in furtherance of the public purposes of Lessee and only for the performance of one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority.

3. Lessee does not intend to sell the Equipment during the term of the Agreement. Lessee will not receive any monies, funds or other "proceeds" as a result of the execution or delivery of the Agreement.

4. Lessee has not established any sinking fund from which it intends to make payment under the Agreement, and no monies are pledged other than amounts from the Golf Enterprise Fund or other legally available funds of Lessee in amounts equal to the required payments under the Agreement. The remaining general funds of Lessee are not reasonably expected to be used to make such payments, and no other monies, except as set forth herein, are pledged to the payments due under the Agreement or reasonably expected to be used to pay principal and interest payments due under the Agreement.

5. Lessee certifies that the Equipment (as defined in the Agreement) is or will be owned and operated by Lessee and will not be used in the trade or business of any person on a basis different from the general public.

To the best of my knowledge, information, and belief the expectations herein expressed are reasonable and there are no facts, estimates or circumstances other than those expressed herein that would materially affect the expectations.

LESSEE: City of Lincoln

By: Ann Johnson
Title: Parks & Recreation Director
Date: 9/23/07

EXHIBIT D

DESCRIPTION OF EQUIPMENT

The Equipment which is the subject of the Individual Payment Schedule No. 1 to the Master Municipal Lease and Option Agreement is as follows:

- One (1) 109" Rotary Riding Motor
- Three (3) 132" Front-Line 60 HP Ro. Riding Mowers
- Four (4) Lightweight Fairway Mowers
- One (1) Aerator
- Six (6) Greens Mowers
- Two (2) 72" Front-Line Rotary Riding Mowers
- Two (2) Riding Sand Trap Rakes
- Three (3) Precision Trim Mowers
- Two (2) Turf Utility Vehicles
- Two (2) Brush Sweepers
- One (1) Reel Grinder
- Three (3) Equipment Lifts
- One (1) Bedknife Grinder

Together with all additions, accessions and replacements thereto.

Lessee hereby certifies that the description of the Equipment set forth above constitutes an accurate description of the "Equipment", as defined in the attached Master Municipal Lease and Option Agreement applicable Individual Payment Schedule.

LESSEE: City of Lincoln

By: Cynn Johnson

Title: Parks & Recreation Director

Address of Equipment Upon Delivery and Acceptance:

2740 A Street

Lincoln, NE 68502

EXHIBIT E
SCHEDULE OF PAYMENTS

Base Interest Rate: 4.17%

U. S. Treasury Note Yield: 4.54%

U. S. Treasury Note Index Percent: 91.85%

Adjusted Base Interest Rate:

Dated Date: February 22, 2007

Payment #	Date	Payment	Interest	Principal	Purchase Price
1	8/22/2007	66,596.83	12,417.43	54,179.40	552,208.21
2	2/22/2008	66,596.83	11,287.79	55,309.04	495,792.99
3	8/22/2008	66,596.83	10,134.59	56,462.24	438,201.51
4	2/22/2009	66,596.83	8,957.35	57,639.48	379,409.24
5	8/22/2009	66,596.83	7,755.57	58,841.26	319,391.15
6	2/22/2010	66,596.83	6,528.73	60,068.10	258,121.69
7	8/22/2010	66,596.83	5,276.31	61,320.52	195,574.76
8	2/22/2011	66,596.83	3,997.78	62,599.05	131,723.73
9	8/22/2011	66,596.83	2,692.59	63,904.24	66,541.40
10	2/22/2012	66,596.83	1,360.16	65,236.67	0.00
Grand Totals		665,968.30	70,408.30	595,560.00	

Provided all documents have been returned in a form acceptable to Lessor within thirty (30) days of the Dated Date (the "Period"), then the Base Interest Rate can remain in effect during the Period. In the event all documents have not been returned within the Period, in a form acceptable to Lessor, and/or if the U. S. Treasury Note Yield for a maturity comparable to the Lease Term increases significantly, Lessor reserves the right to adjust and determine a new Base Interest Rate (the "Adjusted Base Interest Rate") pursuant to the provisions hereof. The Adjusted Base Interest Rate shall be determined by multiplying the U. S. Treasury Note Yield for a maturity comparable to the Lease Term (as of the business day immediately preceding the receipt of the documents by Lessor) by the U. S. Treasury Note Index Percent. Such Adjusted Base Interest Rate shall be the applicable interest rate for the principal balance of the Equipment that is the subject of this Individual Payment Schedule, and Lessee shall execute a revised Exhibit E to this Individual Payment Schedule to acknowledge such change.

LESSEE: City of Lincoln

By: Cynn Johnson
 Title: Parks & Recreation Director

EXHIBIT F

ACCEPTANCE CERTIFICATE

The undersigned, as Lessee under the Master Municipal Lease and Option Agreement (the "Agreement") numbered 1696, with Municipal Services Group, Inc. ("Lessor"), acknowledges receipt in good condition of the Equipment described in the Agreement or in the applicable Individual Payment Schedule attached thereto this _____ day of _____ and certifies that Lessor has fully and satisfactorily performed all of its covenants and obligations required under the Agreement.

Lessee confirms that it will commence payments in accordance with Article 6 of the Agreement or the provisions of the applicable Individual Payment Schedule.

The undersigned officer of Lessee hereby reaffirms in all respects the Certificate as to Arbitrage attached as Exhibit C to the Agreement, and represents that, to the best of his or her knowledge, information and belief, the expectations therein expressed were reasonable as of the Accrual Date on which they were made, and are reasonable as of this date, and that there were, and are as of this date, no facts, estimates or circumstances other than those expressed therein that would materially affect the expectations expressed therein.

LESSEE: City of Lincoln

By: _____

Title: _____

EXHIBIT G

INSURANCE COVERAGE REQUIREMENTS

TO: Municipal Services Group, Inc.
5125 South Kipling Parkway
Suite 300
Littleton, CO 80127

FROM: City of Lincoln
555 South 10th Street, Room B367
Lincoln, NE 68508

SUBJECT: INSURANCE COVERAGE REQUIREMENTS

1. In accordance with Section 8.03 of the Master Municipal Lease and Option Agreement No.1696, we have instructed the insurance agent named below (please fill in name, address, and telephone number)

.....
.....
.....
.....

to issue:

a. All Risk Physical Damage Insurance on the leased Equipment or Unit thereof (as defined in the Agreement) evidenced by a Certificate of Insurance and Long Form Loss Payable Clause naming Lessor "and/or its assigns" Lender Loss Payee.

b. Public Liability Insurance evidence by a Certificate of Insurance naming "Lessor and/or its assigns" as an Additional Insured.

Minimum Coverage Required:
\$500,000.00 per person
\$500,000.00 aggregate bodily injury liability
\$300,000.00 property damage liability

OR

2. Pursuant to Section 8.03 of the Agreement, we are self-insured for all risk physical damage and public liability and will provide proof of such self-insurance in letter form together with a copy of the statute authorizing this form of insurance.

3. Proof of insurance coverage will be provided to Lessor prior to the time that the Equipment or Unit thereof is delivered to us.

LESSEE: City of Lincoln

By: Cyrus Johnson
Title: Parks & Recreation Director