

Lease

14-383
9/25/2014

**EQUIPMENT LEASE-PURCHASE AGREEMENT PART TWO
DATED SEPTEMBER 26, 2014**

Duplicate

Original

This Equipment Lease-Purchase Agreement Part Two (Lease Part 2) between Kansas State Bank of Manhattan, a Kansas corporation (Lessor), and the City of Fresno, a California municipal corporation (Lessee), dated September 26, 2014, will be utilized for the financing of additional vehicles (Equipment).

WHEREAS, Lessee and Lessor desire to use the terms and conditions of the Equipment Lease-Purchase Agreement dated October 10, 2013 (Lease Part 1) to form the contractual basis for the new financing of additional Equipment (more specifically stated on Schedule A-2 and the Payment Schedule attached to this Lease Part 2).

NOW, THEREFORE, the undersigned hereby mutually agree, for consideration the receipt of which is hereby acknowledged, as follows:

1. Except as stated in #2 below, Lessee and Lessor desire to incorporate all the terms and conditions of Lease Part 1, into Lease Part 2, as the contractual basis for financing of additional Equipment more specifically listed on Schedule A-2 and the Payment Schedule attached to this Lease Part 2.
2. Lessee and Lessor agree that for Lease Part 2, the following terms, all as more fully stated in the Schedules, exhibits and attachments to Lease Part 2, will be inserted, where appropriate, in lieu of the corresponding Lease Part 1 terms: Equipment, Rent Payment amount and dates, finance amount, and contract term, etc. Lessee and Lessor also agree to incorporate for Lease Part 2 these new Schedules to replace those attached to Lease Part 1:
 - A. Schedule A-2 and Payment Schedule (to include term and commencement date for new financing)
 - B. Officer's Certificate
 - C. Arbitrage and Tax Certificate
 - D. Resolution/Minutes Authorizing Financing
 - E. Opinion of Counsel
 - F. Escrow Agreement & exhibits
 - G. IRS Form 8038
 - H. Proof of Insurance
3. The security interests granted to Lessor, whether in Lease Part 1 or Lease Part 2, will secure the payment of all obligations of Lessee under Lease Part 1 and Lease Part 2.
4. The commencement date for Lease Part 2 will be September 26, 2014. Payments will be due twice annually, with the last payment due September 26, 2019. Lease Part 1 (including Schedule A and all Exhibits) remains in full force and effect, and is scheduled to continue in effect until October 10, 2018.
5. All payments under Lease Part 2 will be made by City to: Kansas State Bank of Manhattan
P.O. Box 69
Manhattan, Kansas 66505-0069.

IN WITNESS WHEREOF, Lessee's undersigned representatives warrant and represent that their Governing Body, either through direct board action or indirectly through established policies and procedures, has determined that a real need exists for the acquisition of the Equipment listed herein, and it is in Lessee's best interest to enter into this Lease Part 2. The Lessee and Lessor have caused this Lease Part 2 to be duly executed by their respective officers who have signed below.

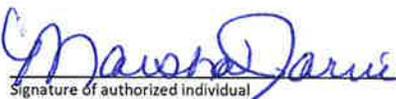
City of Fresno, a California municipal corporation as Lessee


 Signature of authorized individual
 Michael Lima, City Controller Date 9/26/14
 Printed Name and Title

Attest: Yvonne Spence, CMC City Clerk


 Signature of authorized individual
 Yvonne Spence, City Clerk Date 9/29/14
 Printed Name and Title

Kansas State Bank of Manhattan, a Kansas corporation as Lessor


 Signature of authorized individual
 Marsha Jarvis, Senior Vice President Date 9.19.14
 Printed Name and Title

**Approved as to legal form:
Douglas T. Sloan, City Attorney**


 Signature of authorized individual
 Douglas T. Sloan, City Attorney Date 9/29/14
 Printed Name and Title

Duplicate Original

SCHEDULE A-2
Dated as of September 26, 2014

This Lease Schedule A-2 (this "*Schedule*") relates to the Equipment Lease-Purchase Agreement Part Two referenced below and, together with the terms and conditions of the Lease incorporated herein by reference, constitutes a Lease. Unless otherwise defined herein, capitalized terms will have the same meaning as described to them in the Lease.

Equipment Lease-Purchase Agreement Part Two dated September 26, 2014 ("Commencement Date")

1. *Equipment Description.* As used in the Lease, "Equipment" means all of the property described in the Payment Schedule attached to this Schedule and all attachments, additions, accessions, parts, repairs, improvements, modifications, replacements and substitutions thereon and thereto.
2. *Rent Payments; Lease Term.* The Rent Payments to be paid by Lessee to Lessor, the Commencement Date of this Lease and the Lease Term of this Lease are set forth on the Payment Schedule attached to this Schedule.
3. *Essential Use; Current Intent of Lessee.* Lessee represents that (a) the use of the Equipment is essential to Lessee's proper, efficient and economic functioning or to the services that Lessee provides to its citizens, (b) the Equipment will be used by Lessee only for the purpose of performing its governmental or proprietary functions consistent with the permissible scope of its authority and will not be used in a trade or business of any person or entity, and (c) the useful life of the Equipment is not less than the stated full Lease Term of this Lease. Lessee has determined that a present need exists for the Equipment which need is not temporary or expected to diminish in the near future. Lessee currently intends for the full Lease Term: to use the Equipment; to continue this Lease; and to make Rent Payments so long as funds are appropriated by its governing body for the succeeding fiscal year.
4. *Re-Affirmation of the Lease Representations, Warranties and Covenants.* Lessee hereby represents, warrants and covenants that its representations, warranties and covenants set forth in the Lease (particularly Sections 6.1 and 16 thereof) are true and correct as though made on the date of execution of this Schedule.

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Original

PAYMENT SCHEDULE - 2

Attached to and made a part of Lease Schedule A-2 dated as of September 26, 2014 by and between Kansas State Bank of Manhattan, as Lessor, and City of Fresno, as Lessee.

Commencement Date: September 26, 2014

1. EQUIPMENT LOCATION & DESCRIPTION:

Various City of Fresno Police Stations and Police Department Facilities
Fresno, California

Police Vehicles and Utility Maintenance Vehicles

2. LEASE PAYMENT SCHEDULE:

(a) Total Amount Financed: \$3,635,600.00 (Purchase Price)

(b) Payment Schedule:

Rent Pmt No.	Rent Payment Date	Rent Payment Amount	Interest Portion	Principal Portion	Termination Value*
1	26-Mar-15	\$398,296.50	\$61,605.28	\$336,691.22	\$3,368,068.37
2	26-Sep-15	\$398,296.50	\$55,900.04	\$342,396.46	\$3,012,377.93
3	26-Mar-16	\$398,296.50	\$50,098.13	\$348,198.37	\$2,652,188.01
4	26-Sep-16	\$398,296.50	\$44,197.90	\$354,098.60	\$2,287,441.69
5	26-Mar-17	\$398,296.50	\$38,197.70	\$360,098.80	\$1,918,081.33
6	26-Sep-17	\$398,296.50	\$32,095.82	\$366,200.68	\$1,544,048.56
7	26-Mar-18	\$398,296.50	\$25,890.55	\$372,405.95	\$1,165,284.27
8	26-Sep-18	\$398,296.50	\$19,580.13	\$378,716.37	\$781,728.62
9	26-Mar-19	\$398,296.50	\$13,162.77	\$385,133.73	\$393,320.99
10	26-Sep-19	\$398,296.50	\$6,636.68	\$391,659.82	\$0.00

CITY OF FRESNO, a California municipal corporation *as Lessee*

By: Michael Lima
Name: Michael Lima
Title: City Controller

ATTEST:

By: Cindy Bruer 9/29/14
Name: Yvonne Spence
Title: CMC City Clerk

Kansas State Bank of Manhattan, a Kansas corporation *as Lessor*

By: Marsha Jarvis
Name: Marsha Jarvis
Title: Senior Vice President

ATTEST:

By: Curtis Loub
Name: Curtis Loub
Title: Vice President & General Counsel

Duplicate
Schedule (02)
Original

SCHEDULE B-2

OFFICER'S CERTIFICATE

RE: Equipment Lease-Purchase Agreement Part Two dated as of September 26, 2014, between Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

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

1. Lessee has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Rent Payments required to be paid under the Lease during the current Budget Year of Lessee, and such moneys will be applied in payment of all Rent Payments due and payable during such current Budget Year.
2. Lessee has obtained insurance coverage as required under the Lease from an insurer qualified to do business in the State.
3. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.
4. The governing body of Lessee has approved the authorization, execution and delivery of this Lease on its behalf by the authorized representative of Lessee who signed the Lease.
5. Please list the Source of Funds (Fund Item in Budget) for the Rent Payments that come due under Exhibit B of this Lease.

Source of Funds : Fleet Fund Appropriations

By signing below, Lessee hereby authorizes the General Fund of the Lessee as a backup source of funds from which the Rent Payments can be made.

City of Fresno, California



Signature

Michael Lima, City Controller

Printed Name and Title

Schedule (02)

Duplicate
Original

SCHEDULE C-2

ARBITRAGE AND TAX CERTIFICATE

RE: Equipment Lease-Purchase Agreement Part Two dated as of September 26, 2014, between Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

I, the undersigned, hereby certify that I am a duly qualified representative of Lessee and that I have been given the authority by the Governing Body of Lessee to sign the above referenced Lease and this Arbitrage and Tax Certificate with respect thereto. This Certificate is being issued pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations, Sections 1.103-13, 1.103-14 and 1.103-15 (the "Regulations"). The following facts, estimates and circumstances are in existence on the date of this Certificate or are reasonably expected to occur hereafter.

1. The Lease provides for the financing of certain Equipment (the "Equipment") described on Exhibit A thereto from Lessor to Lessee. Pursuant to the Lease, Lessee is required to make Rent Payments with respect to the Equipment, comprising principal and interest, on the dates and in the amounts set forth in Exhibit B to the Lease.
2. Pursuant to the Lease and for the purpose of meeting its obligations thereunder and assuring Lessee of the availability of moneys needed to pay the cost of the Equipment when due, Lessee, Lessor and Kansas State Bank of Manhattan as Escrow Agent ("Escrow Agent") have executed an Escrow Agreement dated as of September 26, 2014, (the "Escrow Agreement").
3. The Escrow Agreement provides that Lessor shall deposit \$3,635,600.00 into escrow, to be credited to the Equipment Acquisition Fund created by the Escrow Agreement and held, invested and disbursed with respect to the Equipment as provided therein.
4. Lessee and Vendor have entered into a contract for the acquisition and delivery of the Equipment.
5. The Equipment will be acquired and installed with due diligence and, based upon the provisions of the contract described in paragraph 4 hereof, the Equipment will be acquired and installed on or before March 25, 2015. It is expected that all gross proceeds of the Lease will be expended on the Equipment no later than this date.
6. All of the spendable proceeds of the Lease will be expended on the Equipment and related expenses within three years from the date of execution of the Lease and Escrow Agreement.
7. The original proceeds of the Lease, and the interest to be earned thereon, do not exceed the amount necessary for the purpose for which the Lease is issued.
8. The interest of Lessee in the Equipment has not been and is not expected during the term of the Lease to be sold or disposed of by Lessee.
9. No sinking fund is expected to be created by Lessee with respect to the Lease and Rent Payments.
10. The Lessee hereby covenants to take all action necessary under the Code and Regulations to ensure that the interest component of the Rent Payments does not become includable as gross income of the recipient for Federal Income Tax purposes, including, without limitation, complying with all requirements of the Code and Regulations relating to the Rebate of Arbitrage profit to the United States of America. It is not presently expected that Lessee will earn arbitrage profit on amounts deposited in the Equipment Acquisition Fund.
11. To the best of the knowledge and belief of the undersigned, the expectations of Lessee, as set forth above, are reasonable; and there are no present facts, estimates and circumstances which would change the foregoing expectations.

WITNESS My hand this 26th day of September, 20 14.

City of Fresno, California



Signature

Michael Lima, City Controller

Printed Name and Title

SCHEDULE D-2
LESSEE RESOLUTION

RE: Equipment Lease-Purchase Agreement Part Two dated as of September 26, 2014, between Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

At a duly called meeting of the Governing Body of the Lessee (as defined in the Lease) held on September 25, 2014 the following resolution was introduced and adopted:

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

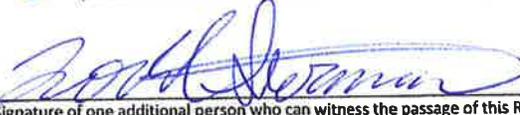
- Determination of Need.** The Governing Body of Lessee has determined that a true and very real need exists for the acquisition of the Equipment described on Schedule A-2 of the Equipment Lease-Purchase Agreement Part Two dated as of September 26, 2014, between City of Fresno, California (Lessee) and Kansas State Bank of Manhattan (Lessor).
- Approval and Authorization.** The Governing Body of Lessee has determined that the Lease, substantially in the form presented to this meeting, is in the best interests of the Lessee for the acquisition of such Equipment, and the Governing Body hereby approves the entering into of the Lease by the Lessee and hereby designates and authorizes the following person(s) to execute and deliver the Lease on Lessee's behalf with such changes thereto as such person(s) deem(s) appropriate, and any related documents, including any Escrow Agreement, necessary to the consummation of the transaction contemplated by the Lease.

Authorized Individual(s): Michael Lima, Controller or Karen Bradley, Assistant Controller
(Printed or Printed Name and Title of individual(s) authorized to execute the Lease)

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

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

Printed Name & Title: Yvonne Spence, City Clerk
(Printed Name and Title of Individual who signed directly above)

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

Printed Name & Title: Todd Steimer, Assistant City Clerk
(Printed Name of individual who signed directly above)



Douglas T. Sloan
City Attorney

OPINION OF COUNSEL

September 26, 2014

Re: Government Obligation Contract dated as of September 26, 2014, between
Kansas State Bank of Manhattan and City of Fresno

Ladies and Gentlemen:

As legal counsel to the City of Fresno ("Lessee"), I have examined the foregoing Lease and such other opinions, documents and matters of law as I have deemed necessary in connection with this Lease. Based on the foregoing, I am of the following opinions:

1. Lessee is a political subdivision of the State of California, or a constituted authority to issue obligations on behalf of a political subdivision of the State.
2. Lessee has the requisite power and authority to purchase the Equipment and to execute and deliver the Lease and to perform its obligations under the Lease. The Lease and the other documents either attached hereto or required herein have been duly authorized, approved and executed by and on behalf of Lessee, and the Lease is a legal, valid and binding obligation of Lessee enforceable in accordance with its terms.
3. The authorization, approval and execution of the Lease and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all open meeting laws, public bidding laws and all other applicable state and federal laws.
4. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges the authority of the Lessee or any of the Lessee's officers or employees to enter into the Leases.
5. The above opinion is for the sole benefit of the Lessee listed above and can only be relied upon by the Lessor or any permitted assignee or subassignee or successor of Lessor under the Lease.

Fresno City Attorneys Office
Fresno City Attorney's Office

[65702]

ESCROW AGREEMENT

Duplicate
Original

THIS AGREEMENT, made and entered into as of September 26, 2014, by and among Kansas State Bank of Manhattan, (Hereinafter referred to as the Escrow Agent), Kansas State Bank of Manhattan, a corporation duly organized and existing under the laws of the State of Kansas (Hereinafter referred to as the Lessor), and the City of Fresno, California, a political subdivision of the State of California (Hereinafter referred to as the Lessee):

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

Section 1. Recitals.

- 1.01. Lessor and Lessee have entered into Equipment Lease-Purchase Agreement Part Two dated as of September 26, 2014, (Hereinafter referred to as the Lease), a duplicate original of which has been furnished to the Escrow Agent, whereby Lessor has agreed to finance and sell certain personal property described therein (Hereinafter referred to as the Equipment) to Lessee, and Lessee has agreed to finance and purchase the Equipment from Lessor, in the manner and on the terms set forth in the Lease.
- 1.02. This Agreement is not intended to alter or change in any way the rights and obligations of Lessor and Lessee under the Lease, but is entirely supplemental thereto.
- 1.03. The terms capitalized in this Agreement but not defined herein shall have the meanings given to them in the Lease.
- 1.04. Under Section 2.02 of the Lease, Lessor is required to deposit or cause to be deposited with the Escrow Agent the principal amount listed in that section, which is required to be credited to the Equipment Acquisition Fund established in Section 2 hereof and used to pay the Equipment Cost of the items of Equipment, and, to the extent not needed for this purpose, is required to be repaid to Lessor. Unless otherwise agreed to by the parties, the principal amount remaining in the Equipment Acquisition Fund will be used to reduce the outstanding principal amount of the Lease.
- 1.05. Under the Lease, either Lessor or Lessee will cause each item of Equipment to be ordered by the Contractor therefor. The Equipment Cost to be paid to the Contractor supplying the item of Equipment shall be paid solely from the amount deposited with the Escrow Agent as described in Section 1.04 hereof, in accordance with this Agreement.
- 1.06. Subject to such control by Lessee as is provided for herein, Lessor and Lessee agree to employ the Escrow Agent to receive, hold, invest and disburse the money to be paid to the Escrow Agent by Lessor as described in Section 1.04, all as hereinafter provided; however, the Escrow Agent shall not be obligated to assume or perform any obligation of Lessee or Lessor or any Contractor with respect thereto or under the Lease by reason of anything contained in this Agreement.
- 1.07. Each of the parties has authority to enter into this Agreement, and has taken all actions necessary to authorize the execution of this Agreement by the officers whose signature are affixed hereto.

Section 2. Equipment Acquisition Fund.

- 2.01. The Escrow Agent shall establish a special escrow fund designated as the "Equipment Acquisition Fund" (the Equipment Acquisition Fund), shall keep such Fund separate and apart from all other funds and moneys held by it, and shall administer such Fund as provided in this Section 3 hereof.
- 2.02. All moneys paid to the Escrow Agent by Lessor pursuant to Section 1.04 of this Agreement shall be credited to the Equipment Acquisition Fund. The Escrow Agent shall use the moneys in the Equipment Acquisition Fund to pay the Equipment Cost of each item of Equipment subject to the Lease, upon receipt with respect thereto of a Payment Request and Equipment Acceptance Form attached hereto as Exhibit B, executed by Lessee, fully completed and with all supporting documents described therein attached hereto. Upon receipt of a Payment Request and Equipment Acceptance Form with respect to any item of Equipment, an amount equal to the Equipment Cost as shown therein shall be paid directly to the person or entity entitled to payment as specified therein. The Payment Request and Equipment Acceptance Form must be signed by an authorized individual acting on behalf of Lessee. The authorized individual or individuals designated by the Lessee must sign the Signature Card which will be kept in the possession of the Escrow Agent. Each Payment Request and Equipment Acceptance Form will be checked against this Signature Card by the Escrow Agent. The Lessor may elect to independently verify the representations of the Lessee on the Payment Request and Equipment Acceptance Form. If the Lessor does not make such election then the Escrow Agent is allowed to rely on such signatures and such statements as provided for herein.
- 2.03. Lessee shall furnish to the Escrow Agent as soon as available, a copy of the order for all Equipment ordered pursuant to the Lease, showing the Equipment Cost and the estimated delivery date. If funds remain in the Equipment Acquisition Fund, excluding the principal amount referred to in Section 1.04 above and the accrued interest earned in the Equipment Acquisition Fund up to the amount equal to the sum of the draws listed in Section 2.05 below, after the full delivery and acceptance of the Equipment, then the Escrow Agent shall return the accrued interest to the Lessee either by check or by applying the amount to the next payment.
- 2.04. The Escrow Agent shall only be responsible for the safekeeping and investment of the moneys held in the Equipment Acquisition Fund, and the disbursement thereof in accordance with this Section, and shall not be responsible for the authenticity or accuracy of such certifications or documents, the application of amounts paid pursuant to such certifications by the persons or entities to which they are paid, or the sufficiency of the moneys credited to the Equipment Acquisition Fund to make the payments herein required.
- 2.05. If Lessor delivers to the Escrow Agent written notice of the occurrence of an Event of Default under the Lease or of a termination of the Lease due to a non-appropriation event or non-renewal event under the Lease, then the Escrow Agent shall immediately remit to Lessor the remaining balance of the Equipment Acquisition Fund. Lessor and Lessee hereby agree that the Escrow Agent is authorized to release funds from the Equipment Acquisition Fund as described in this section only after such funds have remained in the Equipment Acquisition Fund for the time periods and in the amounts as follows: Immediately: \$3,635,600.00
- 2.06. Prior to the disbursement of any funds from the Escrow Account, the Lessee must either (1) deposit all the down payment funds that the Lessee has committed towards the purchase of the Equipment into the Escrow Account or (2) Lessee must provide written verification to the satisfaction of both the Lessor and Escrow Agent that all the down payment funds Lessee has committed towards the purchase of the Equipment have already been spent or are simultaneously being spent with the funds requested from the initial Payment Request and Equipment Acceptance Form. For purposes of this Section, the down payment funds committed towards the Equipment from the Lessee are the down payment funds that were represented to the Lessor at the time this transaction was submitted for credit approval by the Lessee to the Lessor.

Section 3. Moneys in Equipment Acquisition Fund: Investment.

- 3.01. The moneys and investments held by the Escrow Agent under this Agreement are irrevocably held in trust for the benefit of Lessee and Lessor, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment of lien by or for the benefit of any creditor of either Lessee or Lessor.
- 3.02. Moneys held by Escrow Agent hereunder shall be invested and reinvested by the Escrow Agent upon order of Lessee only in Qualified Investments, which Qualified Investments include any investment from time to time authorized by law for the investment of moneys. The Escrow Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available. No investment shall be made that would cause the Lease to be deemed an "arbitrage bond" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended.
- 3.03. The Escrow Agent shall, without further direction from Lessee, sell such investments as and when required to make any payment from the Equipment Acquisition Fund. Any income received on such investments shall be credited to the Fund.
- 3.04. The Escrow Agent shall, upon written request, furnish to Lessee and Lessor, an accounting of all investments. The Escrow Agent shall not be responsible or liable for any loss suffered in connection with any investment moneys made by it in accordance with this Section.

Section 4. Escrow Agent's Authority: Indemnification.

- 4.01. The Escrow Agent may act in reliance upon any writing or instrument including, without limitation, the Payment Request and Equipment Acceptance Form or signature which is, in good faith, believed to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent shall not be liable in any manner for the sufficiency for correctness as to form, manner and execution, or validity of any instrument deposited with it, nor as to the identity, authority or right of any person executing the same; and its duties hereunder shall be limited to those specifically provided herein.
- 4.02. Unless the Escrow Agent is guilty of willful misconduct with regard to its duties hereunder, Lessee and Lessor jointly and severally hereby agree to indemnify the Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement; and in connection therewith, to indemnify the Escrow Agent against any and all expenses, including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim. The Escrow Agent shall be vested with a lien on all property deposited hereunder, for indemnification, for reasonable attorneys' fees, court costs, for any suit, interpleader or otherwise, or any other expense, fees or charges of any character or nature, which may be incurred by the Escrow Agent by reason of disputes arising between Lessee and Lessor as to the correct interpretation of the Lease or this Agreement and instruction given to the Escrow Agent hereunder, or otherwise, with the right of the Escrow Agent, regardless of the instructions aforesaid, to hold the said property until and unless said additional expenses, fees and charges shall be fully paid.
- 4.03. If Lessee and Lessor shall be in disagreement about the interpretation of the Lease or this Agreement, or about the rights and obligations, or the propriety of any action contemplated by the Escrow Agent hereunder, the Escrow Agent may, but shall not be required to, file an appropriate civil action to resolve the disagreement. The Escrow Agent shall be indemnified for all costs, including reasonable attorneys' fees, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in such action is received.

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4.04. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. The Escrow Agent shall otherwise not be liable for any mistakes or facts or errors of judgment, or for any acts or omissions of any kind unless caused by its willful misconduct.

Section 5. Escrow Agent's Compensation.

5.01. Lessee hereby agrees to pay the Escrow Agent \$200.00 as compensation for the services to be rendered hereunder, and will pay and/or reimburse the Escrow Agent upon request for all expenses, disbursements and advances, including reasonable attorneys' fees, incurred or made by it in connection with carrying out its duties hereunder. The first twenty disbursements made from the Equipment Acquisition Fund shall be made without cost to the Lessee. There will be a \$25 fee assessed to the Lessee debited from the Equipment Acquisition Fund for each additional disbursement made thereafter. The Escrow Agent's fee shall be payable upon execution of this Agreement.

Section 6. Change of Escrow Agent.

6.01. A national banking association located in the State of Kansas, or a state bank organized under the laws of the State of Kansas, qualified as a depository of public funds, may be substituted to act as Escrow Agent under this Agreement, upon agreement of the parties hereto. Such substitution shall not be deemed to affect the rights or obligations of the parties. Upon any such substitution, the Escrow Agent agrees to assign to such substitute Escrow Agent its rights under this Agreement.

6.02. The Escrow Agent or any successor may at any time resign by giving mailed notice to Lessee and Lessor of its intention to resign and of the proposed date of resignation, which shall be a date not less than thirty (30) days after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and appointment of a successor Escrow Agent shall have been or are approved by Lessee and Lessor.

6.03. The Escrow Agent may appoint an agent to exercise any of the powers, rights or remedies granted to the Escrow Agent under this Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

Section 7. Administrative Provisions.

7.01. The Escrow Agent shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by Lessee or Lessor, or the agent of either of them, at any time during regular business hours.

7.02. All written notices to be given under this Agreement shall be given by mail to the party entitled thereto at this address set forth in the attached Exhibit D or at such address as the party may provide to the other parties hereto in writing from time to time. Any such notice shall be deemed to have been received forty-eight (48) hours after deposit in the United States mail in registered form, with postage fully prepaid.

7.03. This Agreement shall be construed and governed in accordance with the laws of the State of Kansas.

7.04. Any provision of this Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

7.05. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The term "Lessor" as used herein means any person or entity to whom Lessor has assigned its right to receive Rent Payments under the Lease and any payments due to Lessor hereunder from and after the date when a duplicate original of such assignment is filed with the Escrow Agent.

7.06. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Lease.

7.07. This Agreement shall terminate upon disbursement by the Escrow Agent of all moneys held by it hereunder.

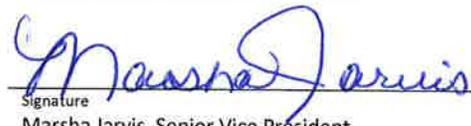
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

Kansas State Bank of Manhattan, Escrow Agent



Signature
Curtis A. Loub, Vice President – General Counsel
Printed Name and Title

Kansas State Bank of Manhattan



Signature
Marsha Jarvis, Senior Vice President
Printed Name and Title

City of Fresno, California



Signature
Michael Lima, City Controller
Printed Name and Title

Duplicate
Original

EXHIBIT A
SIGNATURE CARD

RE: Escrow Agreement dated as of September 26, 2014, between Kansas State Bank of Manhattan (Escrow Agent), Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

The below signatures will be used for purposes of verifying the signature on a Payment Request and Equipment Acceptance Form prior to making payments from the Equipment Acquisition Fund. By signing below, the undersigned represents and warrants that s/he has received all appropriate authority from City of Fresno, California.

City of Fresno, California



Signature

Michael Lima, City Controller

Printed Name and Title

Signature of additional authorized individual (optional) of Lessee



Signature

Karen Bradley, Assistant City Controller

Printed Name and Title

EXHIBIT B

PAYMENT REQUEST AND EQUIPMENT ACCEPTANCE FORM

Duplicate
Original

RE: Escrow Agreement dated as of September 26, 2014, between Kansas State Bank of Manhattan (Escrow Agent), Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

In accordance with Section 2.02, by executing this Payment Request and Equipment Acceptance Form the Lessee hereby represents that the Payee or Payees listed below who are requesting payment have delivered the Equipment or a portion of the Equipment or performed the services to the satisfaction of the Lessee and that the amounts requested below by the Payee or Payees are proportionate with the value of the Equipment delivered or services rendered by the Payee or Payees. The Lessee hereby represents and warrants for all purposes that:

1. Pursuant to the invoice attached hereto, the amount to be disbursed is \$ _____ and this amount is consistent with the Lease between Lessee and Vendor.
2. Payment is to be made to: Payee: _____
3. The undersigned certifies that the following documents are attached to this Payment Request and Equipment Acceptance Form when there is a request for a release of funds from the Equipment Acquisition Fund to pay for a portion, or all, of the Equipment: (1) Invoice from the Vendor, (2) copy of the Lease between Lessee and Vendor (if requested by the Lessor), (3) Insurance Certificate (if applicable), (4) front and back copy of the original MSO/Title listing Kansas State Bank and/or its assigns as the first lien holder (if applicable). By executing this Payment Request and Equipment Acceptance Form and attaching the documents as required above, the Lessee shall be deemed to have accepted this portion of the Equipment for all purposes under the Lease, including, without limitation, the obligation of Lessee to make the Rent Payments with respect thereto in a proportionate amount of the total Rent Payment.
4. No amount listed in this exhibit was included in any such exhibit previously submitted.
5. Each disbursement hereby requested has been incurred and is a proper charge against the Equipment Acquisition Fund. No amount hereby requested to be disbursed will be paid to Lessee as reimbursement for any expenditure paid by Lessee more than 60 days prior to the date of execution and delivery of the Lease.
6. The Equipment referenced in the attached has been delivered, installed, inspected and tested as necessary and in accordance with Lessee's specifications and accepted for all purposes.
7. That Lessee is or will be the title owner to the Equipment referenced in the attached, and that in the event that any third party makes a claim to such title that Lessee will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to such Equipment, or a portion thereof, and keep the Lease in full force and effect. Furthermore, Lessee has obtained insurance coverage as required under the Lease from an insurer qualified to do business in the State.
8. Lessee has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Rent Payments required to be paid under the Lease during the current Budget Year of Lessee, and such moneys will be applied in payment of all Rent Payments due and payable during such current Budget Year.
9. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.

I, the undersigned, hereby certify that I am a duly qualified representative of Lessee and that I have been given the authority by the governing body of Lessee to sign this Payment Request and Equipment Acceptance Form.

Please forward this document and any correspondence relating to vendor payment to:

kfulk@ksstatebank.com

or Fax: (785) 587-4016

Please call (877) 587-4054 if you have any questions.

City of Fresno, California



 Signature
 Karen Bradley, Assistant City Controller

 Printed Name and Title

EXHIBIT C

LESSEE ACKNOWLEDGEMENT

RE: Escrow Agreement dated as of September 26, 2014, between Kansas State Bank of Manhattan (Escrow Agent), Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

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

Please complete the below information, attach another page if necessary

Vendor Name: McPeek's Dodge of Anaheim
Phone: (714) 254-2613
Contact Person: Kevin Buzzard
Equipment: Dodge Charger vehicles
Amount of Equipment: \$1,051,916.00

Vendor Name: Lehr Auto
Phone: (916) 646-6626
Contact Person: Jim Stommel
Equipment: Police car upfit hardward
Amount of Equipment: Estimated \$500,000.00; some items still to be bid

Vendor Name: Cooks Communication
Phone: (559) 233-8818
Contact Person: Derek Marchini
Equipment: Kenwood radios and radio accessories
Amount of Equipment: Estimated \$12,000.00; items still need to be bid

Vendor Name: Farney Automotive
Phone: (559) 896-4121
Contact Person: Ken Patillo
Equipment: Police SUVs, utility truck chassis, pick ups
Amount of Equipment: \$750,000.00; items still to be bid

Vendor Name: Herwaldt Motorsports
Phone: (866) 697-7779
Contact Person: Matt Herwaldt
Equipment: BMW police motorcycles
Amount of Equipment: \$350,000.00; units still to be bid

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

EXHIBIT D

RE: Escrow Agreement dated as of September 26, 2014, between Kansas State Bank of Manhattan (Escrow Agent), Kansas State Bank of Manhattan (Lessor) and City of Fresno, California (Lessee)

Duplicate
Original

Kansas State Bank of Manhattan, Escrow Agent
1010 Westloop, P.O. Box 69
Manhattan, Kansas 66505-0069

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

City of Fresno, California, Lessee
2600 Fresno Street
Fresno, California 93721

INSURANCE REQUIREMENTS

Duplicate
Original

Pursuant to Article V of the Equipment Lease-Purchase Agreement Part Two, you have agreed to provide us evidence of insurance covering the Equipment.

A Certificate of Insurance listing the information stated below should be sent to us no later than the date on which the equipment is delivered.

Insured:	Certificate Holder:
City of Fresno, California	Kansas State Bank of Manhattan
2600 Fresno Street	1010 Westloop, P.O. Box 69
Fresno, California 93721	Manhattan, Kansas 66505-0069

1. **Equipment Description**
 - ◆ Police Vehicles and Utility Maintenance Vehicles
 - ◆ Please include all applicable VIN's, serial numbers, etc.
2. **Physical Damage**
 - ◆ All risk coverage to guarantee proceeds of at least \$3,635,600.00.
3. **Liability**
 - ◆ Minimum Combined Single Limit of \$1,000,000.00 on bodily injury and property damage.
4. **Additional Insured and Loss Payee**
 - ◆ Kansas State Bank and/or Its Assigns MUST be listed as additional insured and loss payee.
5. **Rental Interruption / Abatement Insurance**
 - ◆ As set forth in Section 5.01(c) of the Lease.

Please forward certificate as soon as possible to: Fax: (785) 587-4016
 or
 Email: kfulk@ksstatebank.com

Please complete the information below and return this form along with the Lease.

City of Fresno, California

Insurance Company: _____

Agent's Name: _____

Telephone #: _____

Fax #: _____

Address: _____

City, State Zip: _____

Email: _____

PREFERRED

**Duplicate
Original**

*As an additional payment option for Lessee, we are now providing the option of ACH (Automatic Clearing House). By completing this form, Lessee is authorizing Lessor to withdraw said payment amount on said date.

DEBIT AUTHORIZATION

I hereby authorize Kansas State Bank Government Finance Department to initiate debit entries, and, if necessary, to reinitiate returned entries up to two additional times, to the account indicated below at the financial institution named below and to debit the same to such account for:

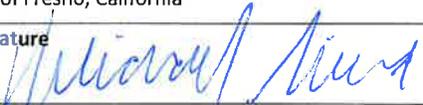
Contract Number 3347200	Payment Amount \$398,296.50	Frequency of Payments Semi-Annual	
Beginning Month _____ Year _____		Day of Month (please choose one) 1 st <input type="checkbox"/> 5 th <input type="checkbox"/> 15 th <input type="checkbox"/> 20 th <input type="checkbox"/>	

I acknowledge that the origination of ACH transactions to this account must comply with the provisions of U.S. law.

Financial Institution Name		Branch	
Address	City	State	Zip
Routing Number		Account Number	

Type of Account Checking Savings

This authority is to remain in full force and effect until Kansas State Bank has received written notification from any authorized signer of the account of its termination in such time and manner as to afford Kansas State Bank a reasonable opportunity to act on it.

Lessee Name on Contract City of Fresno, California	
Signature 	Printed Name and Title Michael Lima, Controller/Finance Director
Tax ID Number 94-6000338	Date 9/26/14

PLEASE ATTACH COPY OF A VOIDED CHECK TO THIS FORM!

USA Patriot Act
USA Patriot Act requires identity verification for all new accounts. This means that we may require information from you to allow us to make a proper identification.

The 8038 form attached hereto is an important part of the documentation package and must be properly filled out and submitted to the Department of the Treasury in order for you to receive the lower tax-exempt rate. Unless you instruct us otherwise, we have engaged a Paid Preparer to assist in the filling out of this form. The Paid Preparer has filled out the relevant portions of this form based on the current understanding of what is required by the Department of the Treasury. The responses on this 8038 form are based on the dates and amounts which you have requested (structure of the transaction) and which are on the Payment Schedule.

1. Please review our responses for accuracy. If anything is inaccurate, please contact our office so that we can make proper revisions.
2. If the information provided to you on this form is accurate, please sign where indicated and return with the document package.
3. If there are any changes to the structure of the transaction that occur prior to funding which require a change to the 8038 form, we will make such changes and provide notification to you.
4. We will return to you a copy of the 8038 form that was mailed to the Department of the Treasury.

Important Note:

The IRS is now requesting information regarding tax-exempt issuers' and borrowers' written policies and procedures designed to monitor post-issuance compliance with the federal tax rules applicable to tax-exempt obligations (boxes 43 and 44). Do not check items 43 and 44 on the 8038 form unless you have established written procedures in accordance with the instructions referenced directly below. If you choose to "check" items 43 and/or 44, please be prepared to provide copies of such written procedures to the Paid Preparer or any representatives of the IRS upon request. Written procedures should contain certain key characteristics, including making provisions for:

- Due diligence review at regular intervals;
- Identifying the official or employee responsible for review;
- Training of the responsible official/employee;
- Retention of adequate records to substantiate compliance (e.g., records relating to expenditure of proceeds);
- Procedures reasonably expected to timely identify noncompliance; and
- Procedures ensuring that the issuer will take steps to timely correct noncompliance.

For additional guidance on this 8038 form, you can refer to the Documentation Instructions located on the following government website: <http://www.irs.gov/app/picklist/list/formsInstructions.html>, or contact your local IRS office.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)
 ► See separate instructions.

OMB No. 1545-0720

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

Duplicate

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Part I Reporting Authority If Amended Return, check here

1 Issuer's name
City of Fresno, California

2 Issuer's employer identification number (EIN)
94-6000358

3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)

3b Telephone number of other person shown on 3a

4 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
2600 Fresno Street

5 Report number (For IRS Use Only)
 3

6 City, town, or post office, state, and ZIP code
Fresno, California 93721

7 Date of issue
09/26/2014

8 Name of issue
Equipment Lease-Purchase Agreement Part Two

9 CUSIP number
None

10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)

10b Telephone number of officer or other employee shown on 10a

Part II Type of Issue (enter the issue price). See the 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 ► Police Vehicles and Utility Maintenance Vehicles	18	3,660,547	12
19	If obligations are TANs or RANs, check only box 19a			<input type="checkbox"/>
	If obligations are BANs, check only box 19b			<input type="checkbox"/>
20	If obligations are in the form of a lease or installment sale, check box			<input checked="" type="checkbox"/>

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	09/26/2019	\$ 3,660,547.12	\$ 3,635,600.00	2.819 years	3.389 %

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	3,660,547	12
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	24,947	12
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	24,947	12
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	3,635,600	00

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 (MM/DD/YYYY) _____

34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY) _____

Part VI Miscellaneous

Duplicate
Original

- 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)
- 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)
- b Enter the final maturity date of the GIC ▶
- c Enter the name of the GIC provider ▶
- 37 Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units
- 38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box and enter the following information:
 - b Enter the date of the master pool obligation ▶
 - c Enter the EIN of the issuer of the master pool obligation ▶
 - d Enter the name of the issuer of the master pool obligation ▶
- 39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box
- 40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box
- 41a If the issuer has identified a hedge, check here and enter the following information:
 - b Name of hedge provider ▶
 - c Type of hedge ▶
 - d Term of hedge ▶
- 42 If the issuer has superintegrated the hedge, check box
- 43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box
- 44 If the issuer has established written procedures to monitor the requirements of section 148, check box
- 45a If some portion of the proceeds was used to reimburse expenditures, check here and enter the amount of reimbursement.
- b Enter the date the official intent was adopted ▶

Signature and Consent

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. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

▶ _____ ▶ _____
Signature of issuer's authorized representative Date

▶ _____ ▶ _____
Type or print name and title

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	H. Evan Howe	<i>H. Evan Howe</i> <small>H. Evan Howe 48-12, Evan Howe, c/o Baystone Financial, LLC, Inc. email: ehowe@baystone.net, c/o: 20142817 10/25/2014</small>	09/26/2014		P01438994
	Firm's Name ▶ Baystone Financial LLC		Firm's EIN ▶ 48-1223987		
	Firm's Address ▶ 5350 College Blvd., Overland Park, KS 66211		Phone no. (800) 752-3562		