



www.kineticlease.com

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800.558.7337
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2575 41st Street South
Suite 1 PO Box 9785
Fargo, ND 58106-9785

August 12, 2020

Independent School District No. 2167 (Lakeview, MN)
Attn: Chris Fenske
PO Box 107
Cottonwood, MN 56229

RE: Lease with Option to Purchase Agreement on the Computers

Dear Mr. Fenske:

Please find enclosed the following documentation for the financing of the equipment referenced above:

- Invoice for the documentation fee and the first payment
 - Please send a check in the amount of \$22,350.49 with the documents. This payment will be applied to invoice #237767. The next payment will be due September 1, 2021.
- Lease with Option to Purchase Agreement No. IND6690-106
 - Exhibit A - Equipment Description
 - Exhibit B - Rental Payments
 - Exhibit C - Certificate of Acceptance
 - Exhibit D - Resolution
- Escrow Agreement
- Certificate of Incumbency
- MN Certificate of Exemption
- Insurance Coverage Information - *Please fill in the name and address of your insurance agent where indicated. It is important that you request a certificate of insurance be forwarded to our office just as soon as possible.*
- 8038-GC - *We will take care of filing this form with the IRS. Please sign originals where indicated in blue ink.*

Please sign all documents where indicated and send to my attention along with your check in the amount of \$22,350.49. Upon receipt of these signed documents Kinetic Leasing, Inc. will be able to pay the appropriate vendor(s) in a prompt manner.

I can be reached at 800-558-7337, if you have any questions pertaining to the documentation.

Sincerely,

Mike Rausch
Equipment Financing Specialist



2575 41st St. S. Ste. 1
PO Box 9785
Fargo, ND 58106-9785
800.558.7337

INVOICE

Page No. 1
INVOICE NO. 237767
Customer # LAKEV

INVOICE DATE 8/12/20 DUE DATE 9/01/20

INVOICE TO:

Independent School District No. 2167
ATTN: Chris Fenske
PO Box 107
Cottonwood, MN 56229

REMIT TO:

Kinetic Leasing, Inc.
P.O. Box 9785
Fargo, ND 58106

AGREEMENT #	DESCRIPTION	FROM	THROUGH	AMOUNT
Lease # IND6690-106	Computers			
	Lease Payment	9/01/20	8/31/21	21,951.49
	Documentation Fee	9/01/20	9/30/20	399.00
PLEASE RETURN DUPLICATE WITH PAYMENT.				
TERMS: NET CASH ON DUE DATE				
PURSUANT TO AGREEMENT, LATE CHARGES MAY APPLY FOR PAYMENTS NOT PAID WHEN DUE.				
PLEASE REFER TO OUR INVOICE NO. ON YOUR REMITTANCE.				
Invoice Subtotal				22,350.49
Sales Tax				.00

PAY THIS AMOUNT

22,350.49

LEASE WITH OPTION TO PURCHASE AGREEMENT No. IND6690-106

Between

KINETIC LEASING, INC.

As Lessor

and

INDEPENDENT SCHOOL DISTRICT NO. 2167 (LAKEVIEW, MN)

As Lessee

Dated as of the 17th day of August, 2020

THIS LEASE WITH OPTION TO PURCHASE AGREEMENT dated as of this 17th day of August 2020 ("Lease"), by and between KINETIC LEASING, INC., a corporation duly organized and existing under the laws of the state of North Dakota as lessor ("Lessor") whose address is 2575 41st St. S., Ste. 1, Fargo, North Dakota 58104; and Independent School District No. 2167 (Lakeview, MN) a political subdivision of the state of Minnesota as lessee ("Lessee"), whose address is 875 Barstad Road N, PO Box 107, Cottonwood, MN 56229;

WITNESSETH:

WHEREAS, Lessee is authorized by law to acquire such items of personal property as are needed to carry out its governmental functions, and to acquire such personal property by entering into lease with option to purchase agreements; and

WHEREAS, Lessee has determined that it is necessary for it to acquire under this Lease certain items of personal property described herein as Equipment; and

WHEREAS, Lessor is willing to acquire such items of Equipment and to lease them to Lessee pursuant to this Lease;

NOW THEREFORE, 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:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified.

Contractor: Each of the manufacturers or vendors from whom Lessee (or Lessor at Lessee's request) has ordered or will order or with whom Lessee (or Lessor at Lessee's request) has contracted or will contract for the manufacture, delivery and/or installation of the Equipment.

Equipment: The personal property described in the attached Exhibit A which is being leased with option to purchase by Lessee pursuant to this Lease.

Fiscal Year: The twelve month fiscal period of Lessee which commences on July 1st in every year and ends on the following June 30th.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of Lessor or Lessee.

Interest: The portion of any Rental Payment designated as and comprising interest as shown in the attached Exhibit B.

Net Proceeds: Any insurance proceeds or condemnation award, paid with respect to the Equipment, remaining after payment there from of all expenses incurred in the collection thereof.

Non-appropriation: The failure of Independent School District No. 2167 (Lakeview, MN) to appropriate money for any Fiscal Year of Lessee sufficient for the continued performance of this Lease by Lessee, as evidenced by the passage of an ordinance or resolution specifically prohibiting Lessee from performing its obligations under this Lease, and from using any moneys to pay the Rental Payments due under this Lease for a designated Fiscal Year and all subsequent Fiscal Years.

Payment Date: The date upon which any Rental Payment is due and payable as provided in Exhibit B.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to the provisions of Section 7.3 hereof, permit to remain unpaid, (ii) this Lease and amendments hereto, (iii) Lessor's interest in the Equipment, and (iv) any mechanic's, laborer's,

materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law, other than any lien arising through a Contractor or which Lessee may, pursuant to Article VIII hereof, permit to remain unpaid.

Principal: The portion of any Rental Payment designated as principal in the attached Exhibit B.

Purchase Option Price: With respect to the Equipment, as of the Payment Dates specified in the attached Exhibit B, the amount so designated and set forth opposite each such date in the attached Exhibit B.

Rental Payment: The payment due from Lessee to Lessor on each Payment Date during the Term of this Lease, as shown on Exhibit B.

Specifications: The bid specifications and/or purchase order pursuant to which Lessee has ordered the Equipment from a Contractor.

State: The State of Minnesota.

State and Federal Law or Laws: The Constitution and any law of the State and any charter, ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Term of this Lease or Lease Term: The period during which this Lease is in effect as specified in Section 4.1.

Section 1.2. Exhibits.

The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit A: A description of the Equipment being leased by Lessee pursuant to this Lease, including the serial number thereof which shall be inserted when available.

Exhibit B: A schedule indicating the date and amount of each Rental Payment coming due during the Lease Term, the amount of each Rental Payment comprising Principal and Interest, and the price at which Lessee may exercise its option to purchase Lessor's interest in the Equipment in accordance with Article X. The due date of each Rental Payment shall be inserted on Exhibit B by Lessor when available.

Exhibit C: A Certificate of Acceptance of Lessee indicating that the Equipment has been delivered and installed in accordance with the Specifications, and has been accepted by Lessee, the date on which Rental Payments shown in Exhibit B shall commence, and that certain other requirements have been met by Lessee.

Exhibit D: A form of resolution of the governing body of Lessee relating to the Lease and certain federal tax matters.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

- (a) Lessee is a political subdivision of the State, duly organized and existing under the Constitution and laws of the State.
- (b) Lessee is authorized under the Constitution and laws of the State to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.
- (c) The officer of Lessee executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of Lessee's governing body, or by other appropriate official action.

- (d) In authorizing and executing this Lease, Lessee has complied with all public bidding and other State and Federal Laws applicable to this Lease and the acquisition of the Equipment by Lessee.
- (e) Lessee will not pledge, mortgage or assign this Lease, or its duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.
- (f) Lessee will use the Equipment during the Lease Term only to perform the essential governmental functions needed by Independent School District No. 2167 (Lakeview, MN).
- (g) Lessee will take no action that would cause the Interest portion of the Rental Payments to become includible in gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986 (the Code) and Treasury Regulations promulgated thereunder (the Regulations), and Lessee will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest portion of the Rental Payments does not become includible in gross income of the recipient for federal income tax purposes under the Code and Regulations.
- (h) Upon delivery and installation of the Equipment, Lessee will provide to Lessor a completed and executed copy of the Certificate of Acceptance attached hereto as Exhibit C.
- (i) Lessee will submit to the Secretary of the Treasury an information reporting statement at the time and in the form required by the Code and the Regulations.
- (j) Lessee will cause a resolution substantially in the form attached hereto as Exhibit D to be adopted by its governing body.

Section 2.2. Representations, Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

- (a) Lessor is a corporation duly organized, existing and in good standing under and by virtue of the laws of the state of Minnesota, and is duly qualified and in good standing as a foreign corporation authorized to transact business in the State; has power to enter into this Lease; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Lease.
- (b) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor, or upon the Equipment except Permitted Encumbrances.

ARTICLE III

LEASE OF EQUIPMENT

Section 3.1. Lease. Lessor hereby leases the Equipment to Lessee, and Lessee hereby leases the Equipment from Lessor, upon the terms and conditions set forth in this Lease.

Section 3.2. Possession and Enjoyment. Lessor hereby covenants to provide Lessee during the Term of this Lease with the quiet use and enjoyment of the Equipment, and Lessee shall during the Term of this Lease peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Lease. Lessor will, at the request of Lessee and at Lessee's cost, join in any

legal action in which Lessee asserts its right to such possession and enjoyment to the extent Lessor lawfully may do so.

Section 3.3. Lessor Access to Equipment. The Lessee agrees that Lessor shall have the right at all reasonable times to examine and inspect the Equipment. Lessee further agrees that Lessor shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by Lessee to perform its obligations hereunder.

ARTICLE IV

TERM OF LEASE

Section 4.1. Lease Term. This Lease shall be in effect for a Term commencing upon its date of execution and ending as provided in Section 4.5.

Section 4.2. Termination by Lessee. In the sole event of Non-appropriation, Lessee shall have the right to terminate this Lease, in whole but not in part, at the end of any Fiscal Year of Lessee, in the manner and subject to the terms specified in this Section and Section 4.4. Lessee may effect such termination by giving Lessor a written notice of termination and by paying to Lessor any Rental Payments and other amounts which are due and have not been paid at or before the end of its then current Fiscal Year. Lessee shall endeavor to give notice of termination not less than sixty (60) days prior to the end of such Fiscal Year, and shall notify Lessor of any anticipated termination. In the event of termination of this Lease as provided in this Section, Lessee shall deliver possession of the Equipment to Lessor in accordance with Section 12.3, and shall convey to Lessor or release its interest in the Equipment within ten (10) days after the termination of this Lease.

Section 4.3. Intent to Continue Lease Term; Appropriations. Lessee presently intends to continue this Lease for its entire Term and to pay all Rental Payments specified in Exhibit B. The officer of Lessee responsible for preparation of Lessee's budget shall include in the budget request for each Fiscal Year the Rental Payments to become due in such Fiscal Year, and shall use all reasonable and lawful means available to secure the appropriation of money for such Fiscal Year sufficient to pay the Rental Payments coming due therein. Lessee reasonably believes that moneys in an amount sufficient to make all such Rental Payments can and will lawfully be appropriated and made available for this purpose.

Section 4.4. Effect of Termination. Upon termination of this Lease as provided in Section 4.2, Lessee shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years, but if Lessee has not delivered possession of the Equipment to Lessor in accordance with Section 12.3 and conveyed to Lessor or released its interest in the Equipment within ten (10) days after the termination of this Lease, the termination shall nevertheless be effective, but Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due under Exhibit B which are attributable to the number of days after such ten (10) day period during which Lessee fails to take such actions and for any other loss suffered by Lessor as a result of Lessee's failure to take such actions as required.

Section 4.5. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

- (a) the termination thereof by Lessee in accordance with Section 4.2;
- (b) the exercise by Lessee of its option to purchase Lessor's interest in the Equipment pursuant to Article X;
- (c) a default by Lessee and Lessor's election to terminate this Lease pursuant to Article XII; or
- (d) the payment by Lessee of all Rental Payments and other amounts authorized or required to be paid by Lessee hereunder.

ARTICLE V

RENTAL PAYMENTS

Section 5.1. Rental Payments. Lessee agrees to pay Rental Payments during the Term of this Lease, in the amounts and on the dates specified in Exhibit B. All Rental Payments shall be paid to Lessor at its offices at the address specified in the first paragraph of this Lease, or to such other person or entity to which Lessor has assigned such Rental Payments as specified in Article XI, at such place as such assignee may from time to time designate by written notice to Lessee. Lessee shall pay the Rental Payments exclusively from moneys legally available therefor, in lawful money of the United States of America, to Lessor or, in the event of assignment of the right to receive Rental Payments by Lessor, to its assignee. Interest shall accrue from the first day of the calendar month in which the Certificate of Acceptance is executed.

Section 5.2. Current Expense. The obligations of Lessee under this Lease, including its obligation to pay the Rental Payments due with respect to the Equipment, in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of Lessee for such Fiscal Year and shall not constitute an indebtedness of Lessee within the meaning of the Constitution and laws of the State. Nothing herein shall constitute a pledge by Lessee of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of Lessee in the annual budget and the proceeds or Net Proceeds of the Equipment, to the payment of any Rental Payment or other amount coming due hereunder.

Section 5.3. Interest Component. A portion of each Rental Payment is paid as and represents the payment of Interest. Exhibit B sets forth the Interest component of each Rental Payment.

Section 5.4. Rental Payments to be Unconditional. Except as provided in Section 4.2, the obligation of Lessee to make Rental Payments or any other payments required hereunder shall be absolute and unconditional in all events. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Lessee's obligation to make Rental Payments or other payments during the Lease Term shall not be abated through accident or unforeseen circumstances. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder; and if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

ARTICLE VI

INSURANCE AND NEGLIGENCE

Section 6.1. Liability Insurance. Upon receipt of possession of the Equipment, Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Equipment or any part thereof, is covered by a blanket or other general liability insurance policy maintained by Lessee. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 6.2. Property Insurance. Upon receipt of possession of the Equipment, Lessee shall have and assume the risk of loss with respect thereto. Lessee shall procure and maintain continuously in effect during the Term of this Lease, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed and to pay the applicable Purchase Option Price of the Equipment. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied to the prompt repair, restoration or replacement of the Equipment, or to the purchase of the Equipment, as provided in Section 6.6. Any Net Proceeds not needed for those purposes shall be paid to Lessee.

Section 6.3. Worker's Compensation Insurance. If required by State law, Lessee shall carry worker's compensation insurance covering all employees on, in, near or about the Equipment, and upon request, shall furnish to Lessor certificates evidencing such coverage throughout the Term of this Lease.

Section 6.4. Requirements For All Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten (10) days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 6.1 and 6.2 shall name Lessee and Lessor as insured parties, and any insurance policy or rider required by Section 6.3 shall name Lessee as insured party. Lessee shall deposit with Lessor policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, unless such insurance is no longer obtainable in which event Lessee shall notify Lessor of this fact.

Section 6.5. Lessee's Negligence. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Equipment and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others, which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

Section 6.6. Damage to or Destruction of Equipment. If after delivery of the Equipment to Lessee all or any part of the Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall as soon as practicable after such event either: (i) replace the same at Lessee's sole cost and expense with equipment of equal or greater value to the Equipment immediately prior to the time of the loss occurrence, such replacement equipment to be subject to Lessor's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or (ii) pay the applicable Purchase Option Price of the Equipment as set forth in Exhibit B. Lessee shall notify Lessor of which course of action it will take within fifteen (15) days after the loss occurrence. If Lessee fails or refuses to notify Lessor within the required period, Lessor may, at its option, declare the applicable Purchase Option Price of the Equipment set forth in Exhibit B immediately due and payable, and Lessee shall be obligated to pay the same. The Net Proceeds of all insurance payable with respect to the Equipment shall be available to Lessee and shall be used to discharge Lessee's obligation under this Section. On payment of the Purchase Option Price, this Lease shall terminate and Lessee thereupon shall become entitled to the Equipment AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE, except that the Equipment shall not be subject to any lien or encumbrance created by or arising through Lessor.

ARTICLE VII

OTHER OBLIGATIONS OF LESSEE

Section 7.1. Use; Permits. Lessee shall exercise due care in the installation, use, operation and maintenance of the Equipment, and shall not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Lessee shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Equipment. Lessee shall comply with all State and Federal Laws applicable to the installation, use, possession and operation of the Equipment, and if compliance with any such State and Federal Law requires

changes or additions to be made to the Equipment, such changes or additions shall be made by Lessee at its expense.

Section 7.2. Maintenance of Equipment by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Equipment in such condition. Lessor shall have no responsibility for any of these repairs or replacements.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this Section, Lessee shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Equipment, the Rental Payments or any part thereof, or which become due during the Term of this Lease, whether assessed against Lessee or Lessor. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Equipment; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

Lessee may, at its own expense and in its own name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of Lessor in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay such taxes, assessments, utility or other charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

Section 7.4. Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand, with interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less, from the date of the advance to the date of repayment.

ARTICLE VIII

TITLE

Section 8.1. Title. During the Term of this Lease, and so long as Lessee is not in default under Article XII, legal title to the Equipment and any and all repairs, replacements, substitutions and modifications to it shall be in Lessee. Upon termination of this Lease for any of the reasons specified in Section 4.5, Clauses (a) and (c), full and unencumbered legal title to the Equipment shall pass to Lessor, and Lessee shall have no further interest therein. In either of such events, Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence the passage of legal title to the Equipment to Lessor and the termination of Lessee's interest therein, and upon request by Lessor shall deliver possession of the Equipment to Lessor in accordance with Section 12.3. Upon termination of this Lease for any of the reasons specified in Section 4.5, Clauses (b) and (d), Lessor's security or other interest in the Equipment shall terminate, and Lessor shall execute and deliver to Lessee such documents as Lessee may request to evidence the termination of Lessor's security or other interest in the Equipment.

Section 8.2. Security Interest. Lessor shall have and retain a security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 8.5, in order to secure Lessee's payment of all Rental

Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by Lessee. If any portion of the Equipment shall constitute a vehicle, Lessor shall have authority, upon filing the manufacturer's certificate of origin for such Equipment, to require the notation of Lessor's security interest on any applicable records and the certificate of title for such Equipment. Lessee will join with Lessor in executing such financing statements or other documents and will perform such acts as Lessor may request to establish and maintain a valid security interest in the Equipment. If requested by Lessor, Lessee shall conspicuously mark the Equipment with appropriate lettering, labels or tags, and maintain such markings during the Term of this Lease, so as clearly to disclose Lessor's security interest in the Equipment.

Section 8.3. Liens. During the Term of this Lease, Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, other than the respective rights of Lessor and Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in Section 7.3 and this Article, Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. Lessee shall reimburse Lessor for any expense incurred by Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 8.4. Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install other items of equipment in or upon the Equipment, which items shall be identified by tags or other symbols affixed thereto as property of Lessee. All such items so identified shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the Equipment resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Equipment.

Section 8.5. Modification of Equipment. Lessee shall, at its own expense, have the right to make repairs to the Equipment, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Equipment and be subject to the provisions of this Lease. Such work shall not in any way damage the Equipment or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Equipment, upon completion of any such work shall be of a value which is not less than the value of the Equipment immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. Lessee will not permit any mechanic's or other lien to be established or remain against the Equipment for labor or materials furnished in connection with any repair, replacement, substitution or modification made by Lessee pursuant to this Section; provided that if any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any lien filed or established against the Equipment, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of Lessor in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 8.6. Personal Property. The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building thereon or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

ARTICLE IX

WARRANTIES

Section 9.1. Selection of Equipment. The Equipment and the Contractor have been selected by Lessee, and Lessor shall have no responsibility in connection with the selection of the Equipment, its suitability for the use intended by Lessee, the acceptance by the Contractor or its sales representative of the order submitted, or any delay or failure by the Contractor or its sales representative to manufacture, deliver or install the Equipment for use by Lessee. Lessee authorizes Lessor to add the serial number of the Equipment to Exhibit A when available.

Section 9.2. Installation and Maintenance of Equipment. Lessor shall have no obligation to install, erect, test, inspect, service or maintain the Equipment under any circumstances, but such actions shall be the obligation of Lessee or the Contractor.

Section 9.3. Contractor's Warranties. Lessor hereby assigns to Lessee for and during the Term of this Lease, all of its interest in all Contractor's warranties and guarantees, express or implied, issued on or applicable to the Equipment, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

Section 9.4. Patent Infringement. Lessor hereby assigns to Lessee for and during the Term of this Lease all of its interest in patent indemnity protection provided by any Contractor with respect to the Equipment. Such assignment of patent indemnity protection by Lessor to Lessee shall constitute the entire liability of Lessor for any patent infringement by Equipment furnished pursuant to this Lease.

Section 9.5. Disclaimer of Warranties. THE EQUIPMENT IS DELIVERED AS IS, AND LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE EQUIPMENT.

ARTICLE X

OPTION TO PURCHASE

Section 10.1. When Available. Lessee shall have the option to purchase Lessor's interest in the Equipment on any Payment Date for the then applicable Purchase Option Price set forth in Exhibit B, but only if Lessee is not in default under this Lease, and only in the manner provided in this Article.

Section 10.2. Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option not less than thirty (30) days prior to the Payment Date on which the option is to be exercised and shall deposit with Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due (including the Rental Payment due on the Payment Date on which the option is to be exercised) and the applicable Purchase Option Price set forth in Exhibit B. The closing shall be on the Payment Date on which the option is to be exercised at the office of Lessor.

Section 10.3. Release of Lessor's Interest. Upon exercise of the purchase option by Lessee, Lessor shall convey or release to Lessee, all of its right, title and/or interest in and to the Equipment by delivering to Lessee such documents as Lessee deems necessary for this purpose.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. Lessor shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. All of Lessor's right, title and/or interest in and to this Lease, the Rental Payments and other amounts due hereunder and the Equipment may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. No such assignment shall be effective as against Lessee unless and until the assignor shall have filed with Lessee a copy or

written notice thereof identifying the assignee. Lessee shall pay all Rental Payments due hereunder to or at the direction of Lessor or the assignee named in the most recent assignment or notice of assignment filed with Lessee. During the Lease Term Lessee shall keep a complete and accurate record of all such assignments. In the event Lessor assigns participations in its right, title and/or interest in and to this Lease, the Rental Payments and other amounts due hereunder and the Equipment, such participants shall be considered to be Lessor with respect to their participated shares thereof.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Lease nor Lessee's interest in the Equipment may be assigned by Lessee without the written consent of Lessor. However, the Equipment may be subleased by Lessee, in whole or in part, without the consent of Lessor, subject, however, to each of the following conditions:

- (i) This Lease and the obligation of Lessee to make Rental Payments hereunder, shall remain obligations of Lessee.
- (ii) The sublessee shall assume the obligations of Lessee hereunder to the extent of the interest subleased.
- (iii) Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to Lessor a true and complete copy of such sublease.
- (iv) No sublease by Lessee shall cause the Equipment to be used for a purpose other than a governmental function authorized under the provisions of the Constitution and laws of the State.
- (v) No sublease shall cause the Interest component of the Rental Payments due with respect to the Equipment to become includible in gross income of the recipient for federal income tax purposes.

Section 11.3. Restriction on Mortgage or Sale of Equipment by Lessee. Except as provided in Section 11.2, Lessee will not mortgage, sell, assign, transfer or convey the Equipment or any portion thereof during the Term of this Lease, or remove any Equipment not constituting a vehicle from its boundaries, without the written consent of Lessor. Lessee shall not, without the written permission of Lessor, store or house any Equipment constituting a vehicle outside the corporate boundaries of Lessee.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, with respect to the Equipment, any one or more of the following events:

- (i) Failure by Lessee to pay any Rental Payment or other payment required to be paid under this Lease at the time specified herein and the continuation of said failure for a period of three (3) days after telephonic or telegraphic notice given by Lessor that the payment referred to in such notice has not been received, such telephonic or telegraphic notice to be subsequently confirmed in writing, or after written notice.
- (ii) 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 Clause (i) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been 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 is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by Lessee of a voluntary petition in bankruptcy, or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its governmental function or adjudication of Lessee as a bankrupt, or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

The provisions of this Section 12.1 and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to the Equipment, other than its obligation to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, 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 labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from its negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Lessee from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Lessee unfavorable to Lessee.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have happened and be continuing with respect to the Equipment, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(i) Lessor, with or without terminating this Lease may declare all Rental Payments due or to become due during the Fiscal Year in effect when the default occurs to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable.

(ii) Lessor, with or without terminating this Lease, may repossess the Equipment by giving Lessee written notice to deliver the Equipment to Lessor, whereupon Lessee shall do so in the manner provided in Section 12.3; or in the event Lessee fails to do so within ten (10) days after receipt of such notice, Lessor may enter upon Lessee's premises where the Equipment is kept and take possession of the Equipment and charge Lessee for costs incurred in repossessing the Equipment, including reasonable attorneys' fees. Lessee hereby expressly waives any damages occasioned by such repossession. If the Equipment or any portion of it has been destroyed or damaged beyond repair, Lessee shall pay the applicable Purchase Option Price of the Equipment, as set forth in Exhibit B (less credit for Net Proceeds), to Lessor. Notwithstanding the fact that Lessor has taken possession of the Equipment, Lessee shall continue to be responsible for the Rental Payments due during the Fiscal Year then in effect. If this Lease has not been terminated, Lessor shall return the Equipment to Lessee at Lessee's expense when the event of default is cured.

(iii) If Lessor terminates this Lease and takes possession of the Equipment, Lessor shall within thirty (30) days thereafter use its best efforts to sell the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws. Lessor shall apply the proceeds of such sale to pay the following items in the following order: (a) all costs incurred in securing possession of the Equipment; (b) all expenses incurred in

completing the sale; (c) the applicable Purchase Option Price of the Equipment; and (d) the balance of any Rental Payments owed by Lessee during the Fiscal Year then in effect. Any sale proceeds remaining after the requirements of Clauses (a), (b), (c) and (d) have been met may be retained by Lessor.

(iv) If the proceeds of sale of the Equipment are not sufficient to pay the balance of any Rental Payments owed by Lessee during the Fiscal Year then in effect, Lessor may take any other remedy available at law or in equity to require Lessee to perform any of its obligations hereunder.

Section 12.3. Return of Equipment. Upon the expiration or termination of this Lease prior to the payment of all Rental Payments in accordance with Exhibit B, Lessee shall return the Equipment to Lessor in the condition, repair, appearance and working order required in Section 7.2, in the following manner as may be specified by Lessor: (i) by delivering the Equipment at Lessee's cost and expense to such place within the State as Lessor shall specify; or (ii) by loading such portions of the Equipment as are considered movable at Lessee's cost and expense, on board such carrier as Lessor shall specify and shipping the same, freight prepaid, to the place specified by Lessor. If Lessee refuses to return the Equipment in the manner designated, Lessor may repossess the Equipment and charge to Lessee the costs of such repossession or pursue any remedy described in Section 12.2.

Section 12.4. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. 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 by Lessor or its assignee.

Section 12.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys and/or incur other expenses for the collection of moneys or for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fee of such attorneys and/or such other reasonable expenses so incurred by the nondefaulting party. In the event that legal proceedings relating to this Lease (but not evidencing an action by a nondefaulting party against a defaulting party) are commenced in any court or before any other tribunal of competent jurisdiction, the legal fees and other reasonable costs and expenses of the prevailing party shall be paid by the nonprevailing party on demand of the prevailing party.

Section 12.6. Late Charge. Whenever any event of default referred to in Section 12.1, Clause (i) hereof shall have happened and be continuing with respect to the Equipment, Lessor shall have the right, at its option and without any further demand or notice, to require a late payment charge for each thirty (30) day period or part thereof during which such event of default occurs equal to four percent (4%) of the delinquent amount, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor; provided, however, that this Section 12.6 shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

ARTICLE XIII

ADMINISTRATIVE PROVISIONS

Section 13.1. Notices. All notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified on the first page hereof; provided that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinions or other communications will be sent.

Section 13.2. Financial Information. During the Term of this Lease, Lessee annually will provide Lessor with current financial statements, budgets, proof of appropriation for the ensuing Fiscal Year and such other

financial information relating to the ability of Lessee to continue this Lease as may be requested by Lessor or its assignee.

Section 13.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by Lessor and Lessee.

Section 13.6. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles, Sections or Clauses of this Lease.

Section 13.7. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Equipment hereby leased or intended so to be, or for otherwise carrying out the expressed intention of this Lease.

Section 13.8. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.9. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, Lessor has caused this Lease to be executed in its corporate name by its duly authorized officer; and Lessee has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

LESSOR: KINETIC LEASING, INC.

LESSEE: INDEPENDENT SCHOOL DISTRICT NO. 2167 (LAKEVIEW, MN)

Signature: _____

Signature: _____

Title: _____

Name/Title: Chris Fenske / Superintendent

Date: August 17, 2020

Date: August 17, 2020

ATTEST:

Signature: _____

Name/Title: Paula Geistfeld / Business Manager

EXHIBIT A
EQUIPMENT

Lessee: Independent School District No. 2167 (Lakeview, MN)

Date of Lease: August 17, 2020
Lease #: IND6690-106

The Equipment which is the subject of the attached Lease with Option to Purchase Agreement is as follows:

Installation Site: **875 Barstad Rd N, Cottonwood, MN 56229**

QTY.	SERIAL NO.	DESCRIPTION
		VENDOR: SWWC
35	JWOLY23, JW97N23, JW9PY23, JVVWN23, JVYWN23, JVX4P23, JW99T13, JW9VS13, JW9TN23, JW9RN23, JW8JS13, JW8DT13, JVY5P23, JVY3P23, JVY2P23, JWJ1613, JWQYN23, JVNQY23, JWK7T13, JWQZG13, JW9WN23, JVXTY23, JWPZS13, JWOSY23, JW8GT13, JVNMY23, JWK5P23, JW9SN23, JVYLY23, JW8CN23, JW03P23, JWQPN23, JVXPY23, JVX6P23, JVZQY23	Dell OptiPlex Computers
1		Dell PowerEdge R540 Server
		VENDOR: Apple Inc.
1	C07CV1SKPJ9	MAC MINI SG With the following configuration (configuration ID Z0ZT0002L:) PROCESSOR 3.0GHz6-core Core i5, MEMORY 16GB 2666MHz DDR4, STORAGE 1TB 550, GRAPHICS Inte I UHD Graphics 630, ETHERNET ADAPTER 10GB Ethernet Port, PRO APPS NONE, SW LOGIC PRO X NONE, COUNTRY KIT
190	F9FCT06SMF3M, F9FCT0YMMF3M, F9FCT187MF3M, F9FCT1CFMF3M, F9FCT1FRMF3M, F9FCT1Q0MF3M, F9FCT1XEMF3M, F9FCT1YMMF3M, F9FCT27RMF3M, F9FCT2RYMF3M, F9GCR729MF3M, F9GCRB4UMF3M, F9GCR85YMF3M, F9GCRB8KMF3M, F9GCRBASMF3M, F9GCRBL7MF3M, F9GCRBPRMF3M, F9GCRBSZMF3M, F9GCRE8WMF3M, F9GCRETGMFM3, F9GCRFJ2MF3M, F9GCRFMXMF3M, F9GCRFS4MF3M, F9GCRFSUMF3M, F9GCRFU4MF3M, F9GCRFULMF3M, F9GCRFUXMF3M, F9GCRFV2MF3M, F9GCRFVGMF3M, F9GCRFVMMF3M, F9GCRFW7MF3M, F9GCRFWLMF3M, F9GCRFX4MF3M, F9GCRFYBMF3M,	IPAD I OPK WI-FI 32G8 SPACE GRAY

<p> F9GCRG0VMF3M, F9GCRG3TMF3M, F9GCRG40MF3M, F9GCRG9XMF3M, F9GCRG9ZMF3M, F9GCRGA7MF3M, F9GCRGAWMF3M, F9GCRGEKMF3M, F9GCRGJBMF3M, F9GCRGJQMF3M, F9GCRGJZMF3M, F9GCRGKTMF3M, F9GCRGNEMF3M, F9GCRGRUMF3M, F9GCRGS2MF3M, F9GCRGTFMF3M, F9GCRGTMMF3M, F9GCRGYBMF3M, F9GCRGYEMF3M, F9GCRGZ9MF3M, F9GCRGZNMF3M, F9GCRGZXMf3M, F9GCRH11MF3M, F9GCRH39MF3M, F9GCRH3AMF3M, F9GCRH41MF3M, F9GCRH56MF3M, F9GCRH6DMF3M, F9GCRH7AMF3M, F9GCRH7HMF3M, F9GCRH93MF3M, F9GCRH9GMF3M, F9GCRH9LMF3M, F9GCRHCBMF3M, F9GCRHCNMF3M, F9GCRHD2MF3M, F9GCRHEGMF3M, F9GCRHMF3M, F9GCRHR2MF3M, F9GCRHY0MF3M, F9GCRJ0VMF3M, F9GCRJ3GMF3M, F9GCRJ48MF3M, F9GCRJ4DMF3M, F9GCRJ5BMF3M, F9GCRJSUMF3M, F9GCRJ63MF3M, F9GCRJ6HMF3M, F9GCRJ6SMF3M, F9GCRJ6ZMF3M, F9GCRJ75MF3M, F9GCRJ7BMF3M, F9GCRJ91MF3M, F9GCRJA8MF3M, F9GCRJB3MF3M, F9GCRJBQMF3M, F9GCRJC4MF3M, F9GCRJCCMF3M, F9GCRJCEMF3M, F9GCRJD6MF3M, F9GCRJD9MF3M, F9GCRJDHMF3M, F9GCRJDLMF3M, F9GCRJDMMF3M, F9GCRJDQMF3M, F9GCRJFAMF3M, F9GCRJFEMF3M, F9GCRJG3MF3M, F9GCRJGXMf3M, F9GCRJJ8MF3M, F9GCRJK4MF3M, F9GCRJKYMF3M, F9GCRJLMMF3M, F9GCRJMF3M, F9GCRJPGMF3M, F9GCRJTFMF3M, F9GCRJTRMF3M, F9GCRJUJMF3M, F9GCRJVBMF3M, F9GCRJVPMF3M, F9GCRJWEMF3M, F9GCRJX0MF3M, F9GCRJXBMF3M, F9GCRJXJMF3M, F9GCRJXQMF3M, F9GCRJYFMF3M, F9GCRJZ1MF3M, F9GCRJZGMF3M, F9GCRJZPMF3M, F9GCRK0FMF3M, F9GCRK0LMF3M, F9GCRK1XMF3M, F9GCRK3BMF3M, F9GCRK46MF3M, F9GCRK69MF3M, F9GCRK6VMF3M, F9GCRK7YMF3M, F9GCRK81MF3M, F9GCRK8M4F3M, F9GCRK8HMF3M, F9GCRKADMf3M, F9GCRKBBMF3M, F9GCRKC8MF3M, F9GCRKDMMF3M, F9GCRKEUMF3M, F9GCRKFYMF3M, F9GCRKJAMF3M, F9GCRKKMEF3M, F9GCRKLBMF3M, F9GCRKLNMF3M, </p>	
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F9GCRKR0MF3M, F9GCRKX9MF3M, F9GCRKXEMF3M, F9GCRKXJMF3M, F9GCRKXKMF3M, F9GCRKXPMF3M, F9GCRKXWMF3M, F9GCRKY2MF3M, F9GCRKYRMF3M, F9GCRKYZMF3M, F9GCRL08MF3M, F9GCRL0PMF3M, F9GCRL1SMF3M, F9GCRL21MF3M, F9GCRL30MF3M, F9GCRL3RMF3M, F9GCRL43MF3M, F9GCRL47MF3M, F9GCRL4RMF3M, F9GCRL50MF3M, F9GCRL88MF3M, F9GCRL8XMF3M, F9GCRLAKMF3M, F9GCRLAMMF3M, F9GCRLANMF3M, F9GCRLATMF3M, F9GCRLBHMf3M, F9GCRLBLMF3M, F9GCRLCBMF3M, F9GCRLCJMF3M, F9GCRLCWMF3M, F9GCRLDAMF3M, F9GCRLDVMF3M, F9GCRLF4MF3M, F9GCRLFFMF3M, F9GCRUTMF3M, F9GCRLKFMF3M, F9GCRLM7MF3M, F9GCRLMJMF3M, F9GCRLMVMF3M, F9GCRLN3MF3M, F9GCRLNDMF3M, F9GCRLNHMF3M, F9GCRLNJMF3M, F9GCRLVDMF3M, F9GCRLWKMF3M	
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Description of Financed Amount:

Cost of above Equipment	\$82,870.04
Cost of related charges:	
Transportation	\$ N/A
Physical Modifications (Specify)	\$ N/A
Other (Specify)	\$ N/A
Add: Sales or other tax, if applicable	\$ N/A
Less: Trade-In, if applicable	\$
Net Financed Amount:	\$82,870.04

EXHIBIT B

SCHEDULE OF RENTAL PAYMENTS

Lessee: Independent School District No. 2167 (Lakeview, MN)

Date of Lease: August 17, 2020

Lease #: IND6690-106

BASE RENTAL PAYMENTS

Base Rental Payment Date	Base Rental Payment Amount	Interest Portion	Principal Portion	Termination Value
09/01/2020	\$21,951.49	\$0.00	\$21,951.49	\$62,391.00
09/01/2021	\$21,951.49	\$2,436.13	\$19,515.36	\$42,156.00
09/01/2022	\$21,951.49	\$1,655.71	\$20,295.78	\$21,363.00
09/01/2023	\$21,951.49	\$844.08	\$21,107.41	\$0.00

EXHIBIT C

CERTIFICATE OF ACCEPTANCE

I, the undersigned, hereby certify that I am the duly qualified and acting Superintendent of the Independent School District No. 2167 (Lakeview, MN) (Lessee); and, with respect to the Lease with Option to Purchase Agreement dated August 17, 2020 (Lease), by and between Lessee and Kinetic Leasing, Inc. (Lessor), that:

1. The equipment described in the Lease (the Equipment) has been delivered and installed in accordance with Lessee's Specifications (as that term is defined in the Lease) and has been accepted by Lessee.

2. The rental payments provided for on Exhibit B to the Lease (the Rental Payments) shall commence and be due and payable on the dates and in the amounts shown on Exhibit B to the Lease.

3. Lessee has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Rental Payments required to be paid under the Lease during the current fiscal year of Lessee, and such moneys will be applied in payment of all Rental Payments due and payable during such current fiscal year.

4. Lessee has obtained from a reputable insurance company qualified to do business in the state of (the State) insurance with respect to, all risks required to be covered thereby pursuant to Article VI of the Lease.

5. Lessee is exempt from all personal property taxes, and is exempt from sales and/or use taxes with respect to the Equipment and the Rental Payments.

6. During the Lease Term (as defined in the Lease) the Equipment will be used by Lessee to perform essential governmental functions. Such functions are: Computer Equipment

7. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease; the proper authorization, approval and execution of the Lease and other documents contemplated thereby; the appropriation of moneys, or any other action taken by Lessee to provide moneys, sufficient to make Rental Payments coming due under the Lease in Lessee's current fiscal year; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.

Dated: August 17, 2020

LESSEE: INDEPENDENT SCHOOL DISTRICT NO. 2167 (LAKEVIEW, MN)

Signature: _____

Name/Title: Chris Fenske / Superintendent

ATTEST:

Signature: _____

Name/Title: Paula Geistfeld / Business Manager

EXHIBIT D

RESOLUTION RELATING TO LEASE WITH OPTION
TO PURCHASE AGREEMENT No. IND6690-106

BE IT RESOLVED by the governing body of Independent School District No. 2167 (Lakeview, MN) (the Issuer), as follows:

Section 1. Recitals and Authorization. The Issuer, as lessee, has heretofore entered into a Lease with Option to Purchase Agreement #IND6690-106 dated as of August 17, 2020 (the Lease), with Kinetic Leasing, Inc., as lessor. It is hereby determined that it is necessary and desirable and in the best interests of the Issuer to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease by the Issuer are hereby approved, ratified and confirmed.

Section 2. Designation as Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Internal Revenue Code of 1986 (the Code), the Issuer hereby specifically designates the Lease as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. In compliance with Section 265(b)(3)(D) of the Code, the Issuer hereby represents that the Issuer will not designate more than \$10,000,000 of obligations issued by the Issuer in the calendar year during which the Lease is executed and delivered as such "qualified tax-exempt obligations."

Section 3. Issuance Limitation. In compliance with the requirements of Section 265(b)(3)(C) of the Code, the Issuer hereby represents that the Issuer (including all "subordinate entities" of the Issuer within the meaning of Section 265(b)(3)(E) of the Code) reasonably anticipates not to issue in the calendar year during which the Lease is executed and delivered, obligations bearing interest exempt from federal income taxation under Section 103 of the Code (other than "private activity bonds" as defined in Section 141 of the Code) in an amount greater than \$10,000,000.

LESSEE: INDEPENDENT SCHOOL DISTRICT NO. 2167 (LAKEVIEW, MN)

Signature: _____

Name/Title: Jason Louwagie / Board Vice Chair

ATTEST:

Signature: _____

Name/Title: Tracy Stern / Board Clerk

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Escrow Agreement"), made and entered into as of the 17th day of August 2020, by and between Citizens Bank of Roseau (the "Escrow Agent"), Kinetic Leasing, Inc., a corporation duly organized and existing under the laws of the State of North Dakota ("Lessor"), and Independent School District No. 2167 (Lakeview, MN) a political subdivision of the State of Minnesota (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 a Lease with Option to Purchase Agreement No. IND6690-106 dated as of August 17, 2020, (the "Lease"), a duplicate original of which has been furnished to the Escrow Agent, whereby Lessor has agreed to lease with an option to purchase certain personal property described therein (the "Equipment") to Lessee, and Lessee has agreed to lease with an option to purchase the Equipment from Lessor, in the manner and on the terms set forth in the Lease.

1.02. This Escrow 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 Escrow Agreement but not defined herein shall have the meanings given to them in the Lease.

1.04. Under the Lease, Lessor is required to deposit or cause to be deposited with the Escrow Agent the sum of \$82,870.04 which funds, together with the interest earnings thereon, will be credited to the Equipment Acquisition Fund established in Section 2 hereof and used to pay the Purchase Price of the items of Equipment and, to the extent not needed for this purpose, will be applied as provided in Section 2.04 hereof, all as hereinafter provided. The Purchase Price of each such item of Equipment shall be paid solely from the amount deposited with the Escrow Agent in accordance with this Escrow Agreement.

1.05. Under the Lease, either Lessor or Lessee will cause each item of Equipment to be ordered from the Equipment Vendor therefor. Lessor shall furnish to the Escrow Agent as soon as available, a copy of the purchase order(s) for all Equipment ordered pursuant to the Lease, showing the Purchase Price and the estimated delivery date(s).

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 moneys 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 under the Lease or of any Equipment Vendor with respect thereto by reason of anything contained in this Escrow Agreement.

1.07. Each of the parties has authority to enter into this Escrow Agreement and has taken all actions necessary to authorize the execution of this Escrow Agreement by the officers whose signatures 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") and shall keep such fund separate and apart from all other funds and money held by it, and shall administer such fund as provided in this Escrow Agreement.

2.02. Lessor shall pay or cause to be paid to the Escrow Agent the sum of set forth in Section 1.04 hereof which amount shall be credited to the Equipment Acquisition Fund which shall be used to pay all costs of purchase, construction and installation of the Equipment upon submission to the Escrow Agent by Lessee of completed Payment Request Forms in form as attached hereto (including the approval of the Lessor) and completed Receipt Certificates in form as attached to the Lease. The submission of a Payment Request Form and Receipt Certificate shall be deemed to be a representation by Lessee that no default or Event of Default shall have occurred or be continuing or will exist at the time of the making of the payment from the Equipment Acquisition Fund and that the representation and warranties contained in the Lease shall be true and correct as of the date of payment from the Equipment Acquisition Fund.

2.03. In the event that Lessor provides to the Escrow Agent written notice of the occurrence of an Event of Default or an Event of Non-appropriation under the Lease, the Escrow Agent shall thereupon promptly remit to Lessor or any assignee of Lessor the remaining balance of the Equipment Acquisition Fund plus investment income thereon.

2.04. Upon receipt by the Escrow Agent of written notice from Lessor that the Purchase Price of all Equipment under the Lease has been paid in full, (a) Escrow Agent shall apply the balance remaining in the Equipment Acquisition Fund, first, to all reasonable fees and expenses incurred by the Escrow Agent in connection herewith as evidenced by its statement forwarded to Lessee and Lessor; and, second, to Lessor to be applied for benefit of Lessee against the principal portion of the Rental Payments next coming due under the Lease and (b) this Escrow Agreement shall terminate. Upon the earlier of receipt of such notice or two years from the date hereof, if any funds remain in the Equipment Acquisition Fund that represent the Purchase Price of the Equipment, such funds shall be applied against the principal portion of the Rental Payment next coming due under the Lease.

2.05. The Escrow Agent shall only be responsible for the safekeeping and investment of the money 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.

Section 3. Money in Equipment Acquisitions Fund: Investment.

3.01. The money and investments held by the Escrow Agent under this Escrow Agreement are irrevocably held in trust for the benefit of Lessor, and such money, together with any income or interest earned thereon, shall be expended only as provided in this Escrow Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either Lessee or Lessor.

3.02. The Escrow Agent shall, without further direction from Lessor, 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 Equipment Acquisition Fund.

3.03. The Escrow Agent shall invest the moneys held in the Equipment Acquisition Fund in a treasury savings account and shall furnish an accounting of all investments.

Section 4. Escrow Agent's Authority.

4.01 The Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement of assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice or 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 or correctness as to form, manner and execution, or validity or 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.

Section 5. Administrative Provisions.

5.01. All written notices to be given under this Escrow Agreement shall be given by mail to the party entitled thereto at its address set forth in the Lease, or at such address as the party may provide to the other parties hereto in writing from time to time. Any such notices 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.

5.02. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of Minnesota.

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

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

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

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

ESCROW AGENT: CITIZENS BANK OF ROSEAU

Signature: _____

Name/Title: _____

LESSOR: KINETIC LEASING, INC.

Signature: _____

Name/Title: _____

**LESSEE: INDEPENDENT SCHOOL
DISTRICT NO. 2167 (LAKEVIEW, MN)**

Signature: _____

Name/Title: Chris Fenske / Superintendent

ATTEST:

Signature: _____

Name/Title: Paula Geistfeld / Business Manager

PAYMENT REQUEST FORM

The Escrow Agent is hereby requested to pay from the Equipment Acquisition Fund established by the Escrow Agreement dated as of August 17, 2020 by and among the Escrow Agent, the Lessor and the Lessee, to the person or corporation designated below as Payee, the sum set forth below in payment (of all/of a portion) of the Purchase Price described below. The amount shown below is due and payable under a purchase order or contract with respect to the Equipment described below and has not formed the basis of any prior request for payment.

Serial No(s). of Equipment for which
Purchase Price to be Paid:

Payee: _____

Address: _____

Attention: _____

Purchase Price to be paid from Equipment Acquisition Fund: _____

Dated: _____

**INDEPENDENT SCHOOL DISTRICT NO. 2167
(LAKEVIEW, MN)
AS LESSEE**

Signature: _____

Title: _____

**PAYMENT FROM EQUIPMENT
ACQUISITION FUND APPROVED:**

**KINETIC LEASING, INC.
AS LESSOR**

Signature: _____

Title: _____

**LEASE WITH OPTION TO PURCHASE AGREEMENT No. IND6690-106
DATED AS OF AUGUST 17, 2020**

Paula Geistfeld / Business Manager

Certificate of Exemption

Purchaser: Complete this certificate and **give it to the seller.**

Seller: If this certificate is not fully completed, you must charge sales tax. Keep this certificate as part of your records.

This is a blanket certificate, unless one of the boxes below is checked, and remains in force as long as the purchaser continues making purchases, or until otherwise cancelled by the purchaser.

☐ Check if this certificate is for a single purchase and enter the related invoice/purchase order # _____.

☐ If you are a contractor and have a purchasing agent agreement with an exempt organization, check the box to make multiple purchases for a specific job. Enter the exempt entity name and specific project:

Exempt entity name _____ Project description _____

Type or print

Name of purchaser Independent School District No. 2167 (Lakeview, MN)			
Business address 875 Barstad Road N	City Cottonwood	State MN	Zip code 56229
Purchaser's tax ID number	State of issue		
If no tax ID number, enter one of the following:	FEIN	Driver's license number/State issued ID number	
		state of issue	number
Name of seller from whom you are purchasing, leasing or renting Kinetic Leasing, Inc.			
Seller's address 2575 41st St S, Ste 1	City Fargo	State ND	Zip code 58104

Type of business

Type of business. Circle the number that describes your business.

- | | |
|---|---------------------------------------|
| 01 Accommodation and food services | 11 Transportation and warehousing |
| 02 Agricultural, forestry, fishing, hunting | 12 Utilities |
| 03 Construction | 13 Wholesale trade |
| 04 Finance and insurance | 14 Business services |
| 05 Information, publishing and communications | 15 Professional services |
| 06 Manufacturing | 16 Education and health-care services |
| 07 Mining | 17 Nonprofit organization |
| 08 Real estate | 18 Government |
| 09 Rental and leasing | 19 Not a business (explain) _____ |
| 10 Retail trade | 20 Other (explain) _____ |

Reason for exemption

Reason for exemption. Circle the letter that identifies the reason for the exemption.

- | | |
|---|--|
| A Federal government (department) _____ | I Agricultural production |
| B Specific government exemption (from list on back) _____ | J Industrial production/manufacturing |
| C Tribal government (name) _____ | K Direct pay authorization |
| D Foreign diplomat # _____ | L Multimedia MPU exemption is no longer valid; repealed March 8, 2008 |
| E Charitable organization # _____ | M Direct mail |
| F Educational organization # _____ | N Other (enter number from back page) _____ |
| G Religious organization # _____ | O Percentage exemption |
| H Resale | <input type="checkbox"/> Advertising (enter percentage) _____ % |
| | <input type="checkbox"/> Utilities (enter percentage) _____ % |
| | <input type="checkbox"/> Electricity (enter percentage) _____ % |

Sign here

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. (PENALTY: If you try to evade paying sales tax by using an exemption certificate for items or services that will be used for purposes other than those being claimed, you may be fined \$100 under Minnesota law for each transaction for which the certificate is used.)

Signature of authorized purchaser _____	Print name here _____	Title _____	Date _____
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INSURANCE COVERAGE REQUIREMENT

Your lease with KINETIC LEASING, INC. requires you to maintain certain insurance coverage. In order to assist you with obtaining coverage from your insurance company, please provide us with the following agent information, as well as provide your insurance company with the requirements as shown below:

<u>INSURANCE AGENT DATA:</u>	
NAME OF INSURANCE AGENT: _____	
ADDRESS: _____	
PHONE #: _____	CONTACT PERSON: _____
FAX #: _____	EMAIL ADDRESS: _____

Named Insured / Lessee:

Independent School District No. 2167 (Lakeview,
MN)

Equipment Lease No.:

IND6690-106

Coverage:

All Risk Personal Property and/or
EDP, if applicable

Certificate Holders:

Lender's Loss Payee(s) As Their Interests

May Appear:

Kinetic Leasing, Inc., and its assigns
2575 41st Street S, Suite 1
Fargo, ND 58104

Coverage:

General Liability

Certificate Holders:

Additional Insured:

Kinetic Leasing, Inc., and its assigns
2575 41st Street S, Suite 1
Fargo, ND 58104

The Insurance Certificate should show the coverage limits and the insurance carrier's name(s) and policy number(s). Please have the Certificate of Insurance sent to Kinetic Leasing, Inc. at the address above, or email to insurance@kineticlease.com or fax it to us at 701-476-0277.

WE WOULD APPRECIATE YOUR AGENT INCLUDING OUR LEASE AND SCHEDULE NUMBER ON THE CERTIFICATE.

**Information Return for Small Tax-Exempt
Governmental Bond Issues, Leases, and Installment Sales**

► Under Internal Revenue Code section 149(e)

OMB No. 1545-0720

Caution: If the issue price of the issue is \$100,000 or more, use Form 8038-G.

Part I Reporting Authority Check box if Amended Return ☐

1 Issuer's name Independent School District No. 2167 (Lakeview, MN)		2 Issuer's employer identification number (EIN) 4 1 1 7 8 2 7 8 2	
3 Number and street (or P.O. box if mail is not delivered to street address) PO Box 107		Room/suite	
4 City, town, or post office, state, and ZIP code Cottonwood, MN 56229		5 Report number (For IRS Use Only) <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
6 Name and title of officer or other employee of issuer or designated contact person whom the IRS may call for more information Chris Fenske / Superintendent		7 Telephone number of officer or legal representative 507-423-5164	

Part II Description of Obligations Check one: a single issue ☒ or a consolidated return ☐

8a Issue price of obligation(s) (see instructions)	8a	82,870	04
b Issue date (single issue) or calendar date (consolidated). Enter date in mm/dd/yyyy format (for example, 01/01/2009) (see instructions) ►			
9 Amount of the reported obligation(s) on line 8a that is:			
a For leases for vehicles	9a		
b For leases for office equipment	9b		
c For leases for real property	9c		
d For leases for other (see instructions)	9d		
e For bank loans for vehicles	9e		
f For bank loans for office equipment	9f		
g For bank loans for real property	9g		
h For bank loans for other (see instructions)	9h		
i Used to refund prior issue(s)	9i		
j Representing a loan from the proceeds of another tax-exempt obligation (for example, bond bank)	9j		
k Other	9k		
10 If the issuer has designated any issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check this box <input type="checkbox"/>			
11 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check this box (see instructions) <input type="checkbox"/>			
12 Vendor's or bank's name: Kinetic Leasing, Inc.			
13 Vendor's or bank's employer identification number: 4 5 0 4 5 6 2 1 4			

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(s) that I have authorized above.

Signature of issuer's authorized representative

Date

Chris Fenske / Superintendent

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
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no.	

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

The IRS has created a page on IRS.gov for information about the Form 8038 series and its instructions, at www.irs.gov/form8038. Information about any future developments affecting the Form 8038 series (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

Form 8038-GC is used by the issuers of tax-exempt governmental obligations to provide the IRS with the information required by section 149(e) and to monitor the requirements of sections 141 through 150.

Who Must File

Issuers of tax-exempt governmental obligations with issue prices of less than \$100,000 must file Form 8038-GC.

Issuers of a tax-exempt governmental obligation with an issue price of \$100,000 or more must file Form 8038-G, Information Return for Tax-Exempt Governmental Obligations.

Filing a separate return for a single issue.

Issuers have the option to file a separate Form 8038-GC for any tax-exempt governmental obligation with an issue price of less than \$100,000.

An issuer of a tax-exempt bond used to finance construction expenditures must file a separate Form 8038-GC for each issue to give notice to the IRS that an election was made to

pay a penalty in lieu of arbitrage rebate (see the line 11 instructions).

Filing a consolidated return for multiple issues.

For all tax-exempt governmental obligations with issue prices of less than \$100,000 that are not reported on a separate Form 8038-GC, an issuer must file a consolidated information return including all such issues issued within the calendar year.

Thus, an issuer may file a separate Form 8038-GC for each of a number of small issues and report the remainder of small issues issued during the calendar year on one consolidated Form 8038-GC. However, if the issue is a construction issue, a separate Form 8038-GC must be filed to give the IRS notice of the election to pay a penalty in lieu of arbitrage rebate.