

**FOREST LAKE AREA SCHOOLS
FOREST LAKE, MN 55025**

December 18, 2014

AGENDA ITEM: 5.4

TOPIC: Approve Lease Financing for Telephone Equipment

BACKGROUND: The School Board approved seeking proposals for a new telephone system in April, 2014. Bids were opened in May and the project was awarded to Integra Communications at the June 26, 2014 School Board Meeting. The School Board also directed the administration to obtain lease financing for this project over a sixty month period.

PROCESS: The Director of Business Services solicited lease quotes from First Resource Bank, Santander Bank, and California First National Bank (CalFirst). The lowest interest rate was obtained from CalFirst at 2.767%. The CalFirst lease documents are attached.

Eric Quring, attorney from Ratwik Roszak & Maloney P.A., is reviewing the transaction on behalf of the school district and may have additional requirements of the School Board, such as passage of a resolution.

At the time of publishing the agenda for this meeting, no additional requirements were known.

RECOMMENDATION: Administration recommends approval of the lease from California First National Bank.

California First National Bank

MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT

This Master Equipment Lease/Purchase Agreement No. BL01528 dated as of December 15, 2014, and entered into between California First National Bank ("CalFirst"), a California corporation ("Lessor"), and Independent School District No. 831, a body corporate and politic existing under the laws of the State of Minnesota ("Lessee").

1. Agreement. Lessee agrees to lease from Lessor certain "Equipment" as described in each Equipment Schedule (Exhibit A), which together with a Rental Payment Schedule (Exhibit A-1) constitute a "Schedule", subject to the terms and conditions of and for the purposes set forth in each Lease. Items of equipment may be added to the Equipment from time to time by execution of additional Schedules by the parties hereto and as otherwise provided herein. Each Schedule and the terms and provisions of this Agreement (which includes all exhibits hereto, together with any amendments and modifications pursuant thereto) which are incorporated by reference into such Schedule shall constitute a separate and independent lease and installment purchase of the Equipment therein described and are referred to herein as a "Lease".

2. Term. The "Commencement Date" for each Lease is the date when interest commences to accrue under such Lease which date shall be the earlier of (i) the date on which the Equipment listed in such Lease is accepted by Lessee in the manner described in Section 11, or (ii) the date on which sufficient monies to purchase the Equipment listed in such Lease are deposited for that purpose with an escrow agent, or (iii) the date sufficient monies are set aside for acquisition of Equipment as evidenced in Exhibit D, if applicable. The "Lease Term" for each Lease means the Original Term and all Renewal Terms therein provided and for this Agreement means the period from the date hereof until this Agreement is terminated. The "Original Term" means the period from the Commencement Date for each Lease until the end of Lessee's fiscal year or biennium (as the case may be) (the "Fiscal Period") in effect at such Commencement Date. The "Renewal Term" for each Lease is each term having a duration that is coextensive with the Fiscal Period.

3. Representations and Covenants of Lessee. Lessee represents, covenants and warrants for the benefit of Lessor on the date hereof and as of the Commencement Date of each Lease as follows: (a) Lessee is a public body corporate and politic duly organized and existing under the constitution and laws of the State with full power and authority under the constitution and laws of the state where the Lessee is located ("State") to enter into this Agreement and each Lease and the transactions contemplated hereby and to perform all of its obligations hereunder and under each Lease; (b) Lessee has duly authorized the execution and delivery of this Agreement and each Lease by proper action of its governing body at a meeting duly called and held in accordance with State law, or by other appropriate official approval, and all requirements have been met and procedures have occurred to ensure the validity and enforceability of this Agreement and each Lease; (c) Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic; (d) Lessee has complied with such public bidding requirements as may be applicable to this Agreement and each Lease and the acquisition by Lessee of the Equipment as provided in each Lease; (e) during the Lease Term, the Equipment will be used by Lessee solely and exclusively for the purpose of performing essential governmental or proprietary

functions of Lessee consistent with the permissible scope of Lessee's authority; (f) Lessee will annually provide Lessor with current financial statements, budgets, proof of appropriation for the ensuing Fiscal Period, and such other financial information relating to the ability of Lessee to continue each Lease as may be requested by Lessor; and (g) Lessee has an immediate need for the Equipment listed on each Schedule and expects to make immediate use of the Equipment listed on each Schedule.

4. Tax and Arbitrage Representations. Lessee hereby represents as follows: (a) the estimated total costs of the Equipment listed in each Schedule will not be less than the total principal portion of the Rental Payments listed in such Rental Payment Schedule; (b) the Equipment listed in each Schedule has been ordered or is expected to be ordered within 6 months of the Commencement Date, and all amounts deposited in escrow to pay for the Equipment, and interest earnings, will be expended on costs of the Equipment and the financing within 3 years of Commencement Date; (c) no proceeds of any Lease will be used to reimburse Lessee for expenditures made more than 60 days prior to the Commencement Date or, if earlier, more than 60 days prior to any official action taken to evidence an intent to finance; (d) Lessee has not created or established, and does not expect to create or establish, any sinking fund or similar fund (i) that is reasonably expected to be used to pay the Rental Payments, or (ii) that may be used solely to prevent a default in the payment of the Rental Payments; (e) the Equipment listed in each Schedule has not been and is not expected to be sold or otherwise disposed of by Lessee, either in whole or in part, prior to the last maturity of Rental Payments; (f) Lessee will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended ("Code"), including without limitation Sections 103 and 148 thereof, and the applicable regulations of the Treasury Department to maintain the exclusion of the interest components of Rental Payments from gross income for purposes of federal income taxation; and (g) Lessee intends that each Lease not constitute a "true" lease for federal income tax purposes.

5. Lease of Equipment. Upon the execution of each Lease, Lessor demises, leases, transfers, and lets to Lessee, and Lessee acquires, rents, leases and hires from Lessor, the Equipment in accordance with the terms thereof. The Lease Term for each Lease may be continued, solely at the option of Lessee, at the end of the Original Term or any Renewal Term for the next succeeding Renewal Term up to the maximum Lease Term set forth in such Lease. At the end of the Original Term and at the end of each Renewal Term the Lease Term shall be automatically extended upon the successive appropriation by Lessee's governing body of amounts sufficient to pay Rental Payments and other amounts payable under the related Lease during the next succeeding Fiscal Period until all Rental Payments payable under such Lease have been paid in full, unless Lessee shall have terminated such Lease pursuant to Section 7 or Section 22. The terms and conditions during any Renewal Term shall be the same as the terms and conditions

during the Original Term, except that the Rental Payments shall be as provided in the applicable Lease.

6. Continuation of Lease Term. Lessee currently intends, subject to Section 7, to continue the Lease Term of each Lease through the Original Term and all Renewal Terms and to pay the Rental Payments thereunder. Lessee reasonably believes that legally available funds in an amount sufficient to make all Rental Payments during the maximum Lease Term of each Lease can be obtained. Lessee currently intends to do all things lawfully within its power to obtain and maintain funds from which the Rental Payments may be made, including making provision for such payments to the extent necessary in each budget or appropriation request submitted and adopted in accordance with applicable provisions of law. Notwithstanding the foregoing, the decision whether or not to budget and appropriate funds or to extend the applicable Schedule for any Renewal Term is within the discretion of the governing body of Lessee.

7. Nonappropriation. Lessee is obligated only to pay such Rental Payments under each Lease as may lawfully be made from funds budgeted and appropriated for that purpose. Should Lessee fail to budget, appropriate or otherwise make available funds to pay Rental Payments under any Lease following the then current Original Term or Renewal Term, such Lease or Leases shall be deemed terminated at the end of the then current Original Term or Renewal Term. Lessee agrees to deliver notice to Lessor of such termination at least 30 days prior to the end of the then current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If any Lease is terminated in accordance with this Section, Lessee agrees to peaceably deliver the Equipment to Lessor at the location(s) to be specified by Lessor.

8. Conditions to Lessor's Performance. This Agreement is not a commitment by Lessor to enter into any Lease not currently in existence, and nothing in this Agreement shall be construed to impose any obligation upon Lessor to enter into any proposed Lease, it being understood that whether Lessor enters into any proposed Lease shall be a decision solely within Lessor's discretion. Lessee will cooperate with Lessor in Lessor's review of any proposed Lease. Lessee understands that Lessor requires certain documentation and information necessary to enter into any Lease and Lessee agrees to provide Lessor with any documentation or information Lessor may request in connection with Lessor's review of any proposed Lease. Such documentation may include, without limitation, documentation concerning the Equipment and its contemplated use and location and documentation or information concerning the financial status of Lessee and other matters related to Lessee.

9. Rental Payments. Lessee shall promptly pay "Rental Payments" as described in Exhibit A-1 to each Lease, exclusively from legally available funds, to Lessor on the dates and in such amounts as provided in each Lease. To the extent permissible by law, Lessee shall pay Lessor a one-time late charge equal to five percent (5%) of the amount of the past due Rental Payment. Each month thereafter, until paid, past due amounts remaining unpaid hereunder shall bear interest at the lesser of one and one-half percent (1.5%) per month or the maximum rate permitted by law. Rental Payments consist of principal and interest portions. Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments under each Lease shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory

limitation or requirement concerning the creation of indebtedness by Lessee, nor shall anything contained herein or in a Lease constitute a pledge of the general tax revenues, funds or monies of Lessee.

10. RENTAL PAYMENTS TO BE UNCONDITIONAL. EXCEPT AS PROVIDED IN SECTIONS 7 AND 9, THE OBLIGATIONS OF LESSEE TO MAKE RENTAL PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED IN EACH LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE, FOR ANY REASON, INCLUDING WITHOUT LIMITATION ANY FAILURE OF THE EQUIPMENT TO BE DELIVERED OR INSTALLED, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE EQUIPMENT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

11. Delivery; Installation; Acceptance. Lessee shall order the Equipment, cause the Equipment to be delivered and installed at the location specified in each Lease and pay any and all delivery and installation costs in connection therewith. When the Equipment listed in any Lease has been delivered and installed, Lessee shall immediately accept such Equipment and evidence said acceptance by executing and delivering to Lessor an Acceptance Certificate (Exhibit B). Lessor shall provide Lessee with quiet use and enjoyment of the Equipment during the Lease Term.

12. Location; Inspection. Once installed, no item of the Equipment will be moved from the location specified for it in the Lease on which such item is listed without Lessor's consent, which consent shall not be unreasonably withheld. Lessor shall have the right at all reasonable times during regular business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

13. Use; Maintenance. Lessee will not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the related Lease. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Equipment. In addition, Lessee agrees to comply in all respects with all applicable laws, regulations and rulings of any legislative, executive, administrative or judicial body. Lessee agrees that it will, at Lessee's own cost and expense, maintain, preserve and keep the Equipment in good repair and working order. Lessee will enter into a maintenance contract for the Equipment that is acceptable to Lessor.

14. Title. Upon acceptance of the Equipment under a Lease by Lessee, title to the Equipment shall vest in Lessee subject to Lessor's rights under the Lease; provided that title shall thereafter immediately and without any action by Lessee vest in Lessor, and Lessee shall immediately surrender possession of the Equipment to Lessor, upon (a) any termination of the applicable Lease other than termination pursuant to Section 22 or (b) the occurrence of an Event of Default. Transfer of title to Lessor pursuant to this Section shall occur automatically without the necessity of any bill of sale, certificate of title or other instrument of conveyance. Lessee shall, nevertheless, execute and deliver any such instruments as Lessor may request to evidence such transfer.

15. Security Interest. To secure the payment of all of Lessee's obligations under each Lease, upon the execution of such

Lease, Lessee grants to Lessor a security interest constituting a first and exclusive lien on the Equipment applicable to such Lease and on all proceeds therefrom. Lessee agrees to execute such additional documents, in form satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its security interest in the Equipment. Lessee hereby authorizes Lessor to file all financing statements, affidavits, notices and similar instruments, in form and substance satisfactory to Lessor, which Lessor deems necessary or appropriate to establish, maintain and perfect a security interest in the Equipment in favor of Lessor and its successors and assigns. Lessee hereby authorizes Lessor to file all financing statements that Lessor deems necessary or appropriate to establish, maintain and perfect such security interest. The Equipment is and will remain personal property and will not be deemed to be affixed to or a part of the real estate on which it may be situated.

16. Liens, Taxes, Other Governmental Charges and Utility Charges. Lessee shall keep the Equipment free of all levies, liens and encumbrances except those created by each Lease. The parties to this Agreement contemplate that the Equipment will be used for governmental or proprietary purposes of Lessee and that the Equipment will therefore be exempt from all property taxes. If the use, possession or acquisition of any Equipment is nevertheless determined to be subject to taxation, Lessee shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to such Equipment. Lessee shall pay all utility and other charges incurred in the use and maintenance of the Equipment. Lessee shall pay such taxes or charges as the same may become due.

17. Insurance. At its own expense, Lessee shall during each Lease Term maintain (a) casualty insurance insuring the Equipment against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Lessor, in an amount at least equal to the then applicable "Purchase Price" of the Equipment as described in Exhibit A-1 of each Lease; (b) liability insurance that protects Lessee from liability in all events in form and amount satisfactory to Lessor; and (c) workers' compensation coverage as required by the laws of the State; provided that, with Lessor's prior written consent, Lessee may self-insure against the risks described in clauses (a) and (b). Lessee shall furnish to Lessor evidence of such insurance or self-insurance coverage throughout each Lease Term. Lessee shall not materially modify or cancel such insurance or self-insurance coverage without first giving written notice thereof to Lessor at least 10 days in advance of such cancellation or modification. All such insurance described in clauses (a) and (b) above shall contain a provision naming Lessor as a loss payee and additional insured.

18. Advances. In the event Lessee shall fail to keep the Equipment in good repair and working order, Lessor may, but shall be under no obligation to, maintain and repair the Equipment and pay the cost thereof. All amounts so advanced by Lessor shall constitute additional rent for the then current Original Term or Renewal Term and Lessee agrees to pay such amounts so advanced by Lessor with interest thereon from the advance date until paid at the rate of 12% per annum or the maximum rate permitted by law, whichever is less.

19. Damage, Destruction and Condemnation. If (a) the Equipment or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any part thereof shall be

taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, Lessee and Lessor will cause the Net Proceeds to be applied to the prompt replacement, repair, restoration, modification or improvement of the Equipment to substantially the same condition as existed prior to the event causing such damage, destruction, or condemnation, unless Lessee shall have exercised its option to purchase the Equipment pursuant to Section 22. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee. For purposes of this Section, the term "Net Proceeds" shall mean (y) the amount of insurance proceeds received by Lessee for replacing, repairing, restoring, modifying, or improving damaged or destroyed Equipment, or (z) the amount remaining from the gross proceeds of any condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees, incurred in the collection thereof. If the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, restoration, modification or improvement referred to herein, Lessee shall either (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds, or (b) pursuant to Section 22 purchase Lessor's interest in the Equipment and in any other Equipment listed in the same Lease. The amount of the Net Proceeds, if any, remaining after completing such replacement, repair, restoration, modification or improvement or after purchasing Lessor's interest in the Equipment and such other Equipment shall be retained by Lessee. If Lessee shall make any payments pursuant to this Section, Lessee shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Section 9.

20. DISCLAIMER OF WARRANTIES. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE EQUIPMENT, OR WARRANTY WITH RESPECT THERETO WHETHER EXPRESS OR IMPLIED, AND LESSEE ACCEPTS SUCH EQUIPMENT AS IS AND WITH ALL FAULTS. IN NO EVENT SHALL LESSOR BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF ANY LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR LESSEE'S USE OF ANY ITEM, PRODUCT OR SERVICE PROVIDED FOR IN ANY LEASE.

21. Vendor's Warranties. Lessor hereby irrevocably appoints Lessee as its agent and attorney-in-fact during each Lease Term, so long as Lessee shall not be in default under the related Lease, to assert from time to time whatever claims and rights (including without limitation warranties) relating to the Equipment that Lessor may have against Vendor. The term "Vendor" means any supplier or manufacturer of the Equipment as well as the agents or dealers of the manufacturer or supplier from whom Lessor purchased or is purchasing such Equipment. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against Vendor of the Equipment, and not against Lessor. Any such matter shall not have any effect whatsoever on the rights or obligations of Lessor with respect to any Lease, including the right to receive full and timely payments under a Lease. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties

whatsoever as to the existence or the availability of such warranties by Vendor of the Equipment.

22. Purchase Option. Lessee shall have the option to purchase Lessor's interest in all of the Equipment listed in any Lease, upon giving written notice to Lessor at least 60 days before the date of purchase, at the following times and upon the following terms: (a) on the Rental Payment dates specified in each Lease, upon payment in full of the Rental Payments then due under such Lease plus the then applicable Purchase Price as referenced in Exhibit A-1; or (b) in the event of substantial damage to or destruction or condemnation of substantially all of the Equipment listed in a Lease, on the day specified in Lessee's notice to Lessor of its exercise of the purchase option upon payment in full to Lessor of the Rental Payments then due under such Lease plus the then applicable Purchase Price plus accrued interest from the immediately preceding Rental Payment date to such purchase date.

23. Initial Administrative Fee. With respect to any Schedule annexed to this Agreement, upon Lessee's execution of the Schedule, Lessee shall pay to Lessor an Initial Administrative Fee in the amount set forth in the related Schedule, as consideration for Lessor's services in connection with the preparation, review and execution of such Schedule.

24. Assignment. Lessor's right, title and interest in and to each Lease, including Rental Payments and any other amounts payable by Lessee thereunder and all proceeds therefrom, may be assigned and reassigned to one or more assignees or subassignees by Lessor without the necessity of obtaining the consent of Lessee; provided that any such assignment shall not be effective until (a) Lessee has received written notice, signed by the assignor, of the name and address of the assignee, and (b) it is registered on the registration books. Lessee shall retain all such notices as a register of all assignees in compliance with Section 149(a) of the Code, and shall make all payments to the assignee or assignees designated in such register. Lessee agrees to execute all documents that may be reasonably requested by Lessor or any assignee to protect its interests and property assigned pursuant to this Section. Lessee shall not have the right to and shall not assert against any assignee any claim, counterclaim or other right Lessee may have against Lessor or Vendor. Assignments may include without limitation assignment of all of Lessor's security interest in and to the Equipment listed in a particular Lease and all rights in, to and under the Lease related to such Equipment. Lessee hereby agrees that Lessor may, without notice to Lessee, sell, dispose of, or assign this Agreement or any particular Lease or Leases through a pool, trust, limited partnership, or other similar entity, whereby one or more interests are created in this Agreement or in a Lease or Leases, or in the Equipment listed in or the Rental Payments under a particular Lease or Leases. None of Lessee's right, title and interest in, to and under any Lease or any portion of the Equipment listed in each Lease may be assigned, subleased, or encumbered by Lessee for any reason without obtaining prior written consent of Lessor.

25. Events of Default. Any of the following events shall constitute an "Event of Default" under a Lease: (a) failure by Lessee to pay any Rental Payment or other payment required to be paid under a Lease at the time specified therein; (b) failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraph (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to Lessee by Lessor; (c) any statement,

representation or warranty made by Lessee in or pursuant to any Lease shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made; or (d) Lessee institutes any proceedings under any bankruptcy, insolvency, reorganization or similar law or a receiver or similar official is appointed for Lessee or any of its property.

26. Remedies on Default. Whenever any Event of Default exists, Lessor shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps: (a) by written notice to Lessee, Lessor may declare all Rental Payments payable by Lessee pursuant to such Lease and other amounts payable by Lessee under such Lease to the end of the then current Original Term or Renewal Term to be immediately due and payable; (b) with or without terminating the Lease Term under such Lease, Lessor may enter the premises where the Equipment listed in such Lease is located and retake possession of such Equipment or require Lessee at Lessee's expense to promptly return any or all of such Equipment to the possession of Lessor at such place within the United States as Lessor shall specify, and sell or lease such Equipment or, for the account of Lessee, sublease such Equipment, continuing to hold Lessee liable for the difference between (i) the Rental Payments payable by Lessee pursuant to such Lease and other amounts related to such Lease of the Equipment listed therein that are payable by Lessee to the end of the then current Original Term or Renewal Term, as the case may be, and (ii) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of Lessor in exercising its remedies under such Lease, including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing such Equipment and all brokerage, auctioneer's and attorney's fees), subject, however, to the provisions of Section 7 hereof. The exercise of any such remedies in respect of any such Event of Default shall not relieve Lessee of any other liabilities under any other Lease or the Equipment listed therein; and (c) Lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under such Lease or as a secured party in any or all of the Equipment. Any net proceeds from the exercise of any remedy under a Lease (after deducting all costs and expenses referenced in the Section) shall be applied as follows: (i) if such remedy is exercised solely with respect to a single Lease, Equipment listed in such Lease or rights thereunder, then to amounts due pursuant to such Lease and other amounts related to such Lease or such Equipment; or (ii) if such remedy is exercised with respect to more than one Lease, Equipment listed in more than one Lease or rights under more than one Lease, then to amounts due pursuant to such Leases pro-rata.

27. No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under a Lease now or hereafter existing at law or in equity.

28. Notices. All notices or other communications under any Lease shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties hereto at the addresses listed below (or at such other address as either party hereto shall designate in writing to the other for notices to such party), or to any assignee at its address as it appears on the registration books maintained by Lessee.

29. Release and Indemnification. To the extent permitted by State law, and subject to Section 7, Lessee shall indemnify, release, protect, hold harmless, save and keep harmless Lessor

from and against any and all liability, obligation, loss, claim, tax and damage whatsoever, regardless of cause thereof, and all expenses in connection therewith (including, without limitation, attorney's fees and expenses, penalties connected therewith imposed on interest received) arising out of or as result of (a) entering into any Lease, (b) the ownership of any item of Equipment, (c) the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of Equipment, (d) any accident in connection with the operation, use, condition, possession, storage or return of any item of Equipment resulting in damage to property or injury to or death to any person, and/or (e) the breach of any covenant or any material representation contained in a Lease. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under all Leases or the termination of the Lease Term under all Leases for any reason. Notwithstanding the foregoing contained in Section 29. Release and indemnification, the release and indemnification provided herein, by Lessee, shall not apply to any liability, obligation, loss, claim, tax or damage caused by or resulting from the gross negligence or willful misconduct of Lessor or its employees or representatives.

30. Miscellaneous Provisions. Each Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns. References herein to "Lessor" shall be deemed to include each of its assignees and subsequent assignees from and after the effective date of each assignment as permitted by Section 24. In the event any provision of any Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof. Each Lease may be amended by mutual written consent of

Lessor and Lessee. Each 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. The captions or headings in this Agreement and in each Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement or any Lease. This Agreement and each Lease shall be governed by and construed in accordance with the laws of the State.

31. Jury Trial Waiver. THE PARTIES TO THIS AGREEMENT HEREBY UNCONDITIONALLY WAIVE, IN A KNOWING AND INTENTIONAL MANNER, THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN THEM. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court (including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR RELATED TRANSACTION. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Agreement to be executed in their names by their duly authorized representatives as of the date first above written.

(LESSOR)

California First National Bank
28 Executive Park
Irvine, CA 92614

By: _____
Name: _____
Title: _____

(LESSEE)

Independent School District No. 831
6100 N. 210th Street
Forest Lake, MN 55025

By: _____
Name: _____
Title: _____

Attested To:




By:  _____
Name:  _____
Title:  _____

EXHIBIT A

SCHEDULE OF PROPERTY NO. 01
PAGE ONE OF ONE

RE: MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT NO. BL01528 entered into as of December 15, 2014, ("Agreement"), between California First National Bank ("Lessor") and Independent School District No. 831 ("Lessee"). All terms used and not otherwise defined herein have the meanings ascribed to them in the Agreement.

The following items of Equipment are hereby included under this Schedule to the Agreement.

DESCRIPTION OF EQUIPMENT			
Quantity	Description	Model No.	Serial No(s).
INTEGRA TELECOM INC: FINAL AND COMPLETE EQUIPMENT DESCRIPTION FOR SCHEDULE OF PROPERTY NO. 01 IS SET FORTH IN EXHIBIT A-2 THAT IS ATTACHED HERETO AND INCORPORATED BY REFERENCE HEREIN.			
Note: It is hereby acknowledged and agreed that Independent School District No. 831 ("ISD #831") paid Integra Telecom Inc., with ISD #831's Check No. 489649, the sum of \$410,063.85 on October 24, 2014. ISD #831's payment of \$410,063.85 was comprised of two (02) components – (a) the equipment total cost of \$355,256.85 and (b) the installation total cost of \$54,807.00. The parties hereto hereby acknowledge and agree that Schedule of Property No. 01, to Master Equipment Lease/Purchase Agreement No. BL01528, shall only include the equipment total cost of \$355,256.85. Additionally, the parties hereto hereby acknowledge and agree that ISD #831 has requested that California First National Bank reimburse the \$355,256.85 directly to ISD #831 on or before the 60-day reimbursement requirement of December 22, 2014.			
Total Cost = \$355,256.85			
THE ABOVE-REFERENCED EQUIPMENT SHALL BE MORE FULLY DESCRIBED ON EXHIBIT "A-2" TO RELATED DOCUMENTS AT A LATER DATE.			
Vendor(s): Integra Telecom Inc. (Address: 6160 Golden Hills Drive, Golden Valley, MN 55416)			

Initial Administrative Fee: N/A

Lessee hereby represents, warrants and covenants that its representations, warranties and covenants set forth in the Agreement are true and correct as though made on the Commencement Date of Rental Payments under this Schedule. **The terms and provisions of the Agreement (other than to the extent that they relate solely to other Schedules or Equipment listed on other Schedules) are hereby incorporated into this Schedule by reference and made a part hereof.**

Lessee hereby designates the Schedule as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. The aggregate face amount of all tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds) issued or to be issued by Lessee and all subordinate entities thereof during the calendar year in which the Schedule is executed is not reasonably expected to exceed \$10,000,000. Lessee and all subordinate entities thereof will not issue in excess of \$10,000,000 of tax-exempt obligations (including the Schedule but excluding private activity bonds other than qualified 501(c)(3) bonds) during the calendar year in which this Schedule is executed without first obtaining an opinion of nationally recognized counsel acceptable to Lessor that the designation of the Schedule as a "qualified tax-exempt obligation" will not be adversely affected.

Dated: December 15, 2014

Lessee: Independent School District No. 831

By: _____

Name: _____

Title: _____

Date: _____

Lessor: California First National Bank

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT A-1

RENTAL PAYMENT SCHEDULE
PAGE ONE OF ONE

Re: Schedule of Property No. 01, dated December 15, 2014, to Master Equipment Lease/Purchase Agreement No. BL01528, dated as of December 15, 2014, between California First National Bank, as Lessor, and Independent School District No. 831, as Lessee.

Payment No.	Rental Payment Due Date	Rental Payment Amount	Amount Applied To Interest	Amount Applied To Principal	Purchase Price
1	08/01/15	\$76,287.86	\$6,167.11	\$70,120.75	\$290,838.82
2	08/01/16	\$76,287.86	\$7,911.11	\$68,376.75	\$221,094.54
3	08/01/17	\$76,287.86	\$5,997.56	\$70,290.30	\$149,398.43
4	08/01/18	\$76,287.86	\$4,052.68	\$72,235.18	\$ 75,718.55
5	08/01/19	<u>\$76,287.86</u>	<u>\$2,053.99</u>	<u>\$74,233.87</u>	\$ 1.00
Total		<u>\$381,439.30</u>	<u>\$26,182.45</u>	<u>\$355,256.85</u>	

COMMENCEMENT DATE: December 15, 2014

Lessee: Independent School District No. 831

By: _____

Title: _____

Date: _____

EXHIBIT A-2

FINAL AND COMPLETE EQUIPMENT DESCRIPTION

SCHEDULE OF PROPERTY NO. 01

RE: MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT NO. BL01528 entered into as of December 15, 2014, ("Agreement"), between California First National Bank ("Lessor") and Independent School District No. 831 ("Lessee"). All terms used and not otherwise defined herein have the meanings ascribed to them in the Agreement.

Lessor and Lessee hereby acknowledge and agree that the final and complete Equipment descriptions under Schedule of Property No. 01 to the Agreement is as set forth below.

DESCRIPTION OF EQUIPMENT			
<u>Quantity</u>	<u>Description</u>	<u>Model No.</u>	<u>Serial No.</u>
See attached six (06) pages of Equipment descriptions that shall constitute the final and complete descriptions of Equipment under Schedule of Property No. 01 to Master Equipment Lease/Purchase Agreement No. BL01528 dated December 15, 2014.			
<u>Equipment Cost Summary:</u>			
• Equipment	:	\$374,307.73 (Page 5)	
• Equipment	:	\$ 254.78 (Page 6)	
• Equipment	:	\$ 254.78 (Page 6)	
• Equipment	:	\$ 509.56 (Page 6)	
• Delete	:	(\$ 18,600.00) (Page 6)	
• Delete	:	(\$ 1,470.00) (Page 6)	
• Total Cost	:	<u>\$355,256.85</u>	

In all other respects the terms and conditions of the Lease, as originally written, shall remain in full force and effect. The Lease, as amended herein, sets forth the entire and final understanding between the parties with respect hereto.

IN WITNESS WHEREOF the parties hereto, by their authorized signatories, have executed this Exhibit A-2 as of the date set forth below their respective signatures.

Lessee: Independent School District No. 831

Lessor: California First National Bank

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MUNICIPAL CERTIFICATE

Independent School District No. 831 (Lessee)
6100 N. 210th Street
Forest Lake, Minnesota 55025

Re: Master Equipment Lease/Purchase Agreement No. BL01528 dated December 15, 2014 (the "Agreement"), Schedule of Property No. 01 dated December 15, 2014 (collectively, the "Lease")

I, the undersigned, the duly appointed, qualified and acting X (Clerk or Secretary) of the Independent School District No. 831 (Lessee) do hereby certify this X day of X, 2014 as follows:

- (1) Lessee did, at a X (regular or special) meeting of the governing body of the Lessee held X, 2014, by motion duly made, seconded and carried, in accordance with all requirements of law, approve and authorize and delivery of the above-referenced Schedule of Property No. 01 (the "Schedule") to the Agreement on its behalf by the following named representative of the Lessee, to wit:

Printed Name

Title

Signature

- (2) The above-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.
- (3) The meeting of the governing body of the Lessee at which the Schedule was approved to be executed was duly called, regularly convened and attended throughout by the requisite majority of the members thereof or by other appropriate official approval and that the action approving the Schedule and authorizing the execution thereof has not been altered or rescinded.
- (4) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default (as such term is defined in the Agreement) exists at the date hereof.
- (5) All insurance required in accordance with the Agreement is currently maintained by the Lessee.
- (6) Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Rental Payments scheduled to come due during the initial Term and to meet its other obligations for the initial Term (as such terms are defined in the Lease) and such funds have not been expended for other purposes.
- (7) The fiscal year of Lessee is from X to X.

IN WITNESS WHEREOF, I hereunto set my hand and the seal of the governing body of the Lessee the day and year first above written.

X

Signature

(SEAL)

X

Printed or typewritten name

Subscribed to and sworn before me this X day of X, 2014.

X

Notary Public

My commission expires X

INCUMBENCY CERTIFICATE

RE: Master Equipment Lease/Purchase Agreement No. BL01528 dated December 15, 2014 (the "Agreement"), by and between Independent School District No. 831 ("Lessee") and California First National Bank ("Lessor")

I, X, do hereby certify that I am the authorized X (Officer Title) of Independent School District No. 831 ("Lessee"). The person(s) whose name(s) and title(s) appear below is/are authorized officer(s) of Lessee and hold on the date of this certificate and on the date of execution of the Lease Documents (hereinafter defined) the position(s) set opposite his/her respective name(s). Each officer is authorized to execute and deliver the Agreement between Lessee and Lessor, as well as all other documents and instruments (all agreements, documents, and instruments shall collectively be referred to as "Lease Documents") in connection therewith.

PRINTED NAME

TITLE

SIGNATURE

<u>X</u>	<u>X</u>	<u>X</u>
<u>X</u>	<u>X</u>	<u>X</u>

IN WITNESS WHEREOF, I set my hand and the seal of Lessee this X day of X, 2014.

Signature: X

(SEAL)

Printed Name: X

THIS CERTIFICATE MUST BE EXECUTED BY AN AUTHORIZED INDIVIDUAL CONFIRMING THAT THE EXECUTIONER OF THE AGREEMENT AND LEASE DOCUMENTS IS AUTHORIZED TO DO SO ON BEHALF OF LESSEE. THIS CERTIFICATE CANNOT BE SIGNED BY THE PERSON SIGNING THE AGREEMENT AND LEASE DOCUMENTS.