

ORDINANCE

AN ORDINANCE APPROVING A LEASE-PURCHASE AGREEMENT BETWEEN THE CITY OF MANITOU SPRINGS AND MUNICIPAL SERVICES GROUP, INC.

WHEREAS, the City is a home rule municipality with all powers granted by Article XX of the Colorado Constitution and its Home Rule Charter;

WHEREAS, Article XX, § 6 of the Colorado Constitution states: "The statutes of the state of Colorado, **so far as applicable**, shall continue to apply to such cities and towns, except insofar as superseded by the charters of such cities and towns or by ordinance passed pursuant to such charters." Colo. Const. art. XX, § 6 (emphasis added);

WHEREAS, Section 5.8 of the City's Home Rule Charter provides that ordinances adopted by the City Council become effective five days after publication after final passage;

WHEREAS, C.R.S. § 31-15-801 purports to require that municipalities approve long term lease agreements and lease-purchase agreements by ordinance that is not effective for at least thirty (30) days after passage;

WHEREAS, C.R.S. § 31-15-801 conflicts with Section 5.8 of the City's Home Rule Charter, which provides that ordinances are effective five days after publication after final passage;

WHEREAS, C.R.S. § 31-15-801 contains no declaration of statewide concern and specifically applies to a "city" or a "town", which terms have been construed to mean a statutory city and statutory town by the Colorado Court of Appeals in the case of *Allely v. City of Evans*, 124 P.3d 911 (Colo. App. 2005);

WHEREAS, the City Council hereby finds and determines that the procedures for approval of lease-purchase agreements are a matter of purely local concern; and

WHEREAS, as a home rule municipality, in the matter of deciding the procedures applicable to the approval of lease-purchase agreements, which is a matter of purely local concern, the City is not subject to those portions of C.R.S. §§ 31-15-801 and -802 which conflict with Section 5.8 of the City's Home Rule Charter.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MANITOU SPRINGS, COLORADO, THAT:

Section 1: *Approval of Documents.* The Master Municipal Lease and Option Agreement between the City of Manitou Springs and Municipal Services Group, Inc. and the Escrow Agreement between the City of Manitou Springs, Municipal Services Group, and Suntrust Bank is hereby approved in substantially the form attached hereto as **Exhibit A** and incorporated herein by this reference. The Mayor is hereby authorized and directed to execute the agreements on behalf of the City with any changes approved by the City Attorney.

Section 2: If any article, section, paragraph, sentence, clause or phrase of this ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each part or parts hereof irrespective of the fact that any one part or parts be declared unconstitutional or invalid.

Section 3: The repeal or modification of any provision of Manitou Springs Municipal Code by this ordinance shall not release, extinguish, alter, modify or change in whole or in part any penalty, forfeiture or liability, either civil or criminal, which shall have been incurred under such provision. Each provision shall be treated and held as still remaining in force for the purpose of sustaining any and all proper actions, suits, proceedings and prosecutions for enforcement of the penalty, forfeiture or liability, as well as for the purpose of sustaining any judgment, decree or order which can or may be rendered, entered or made in such actions, suits, proceedings or prosecutions.

Section 4: This ordinance is deemed necessary for the protection of the health, welfare and safety of the community.

Section 5: This ordinance shall take effect five (5) days after publication following final passage.

Passed on First Reading and Ordered Published this 6th day of December, 2011.

/s/ Donna Kast
City Clerk

A Public Hearing on this ordinance will be held at the March 6, 2012 City Council meeting. The Council Meeting will be held at 7:00 P.M. at City Hall, 606 Manitou Avenue, Manitou Springs, Colorado.

Ordinance Published: December 8, 2011 (in full).
City's Official Website and at City Hall

Passed on Second Reading and Ordered Published this 6th day of March 2012.

Approved: /s/ Marc A. Snyder
Mayor and City Council

Attest: /s/ Donna Kast
City Clerk

Approved for Council Action: /s/ Jack Benson
City Administrator

Approved as to form: /s/ Jeff Parker
City Attorney

Published: March 8, 2012 (in full)
City's Official Website and at City Hall

EXHIBIT A

MASTER MUNICIPAL LEASE AND OPTION AGREEMENT

Lessor: Municipal Services Group, Inc.
5125 S. Kipling Parkway, Ste. 300
Littleton, CO 80123

Lessee: City of Manitou Springs
606 Manitou Avenue
Manitou Springs, CO 80829

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

WITNESSETH:

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

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

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

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

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

**ARTICLE 1
COVENANTS OF LESSEE**

The representations, covenants, warranties, and obligations set forth in this Article are in addition to and are not intended to limit any other representations, covenants, warranties, and obligations set forth in this Agreement. Lessee represents, covenants and warrants, for the benefit of Lessor and its assignees, as follows:

(a) Lessee is a public body, corporate and politic, duly organized and existing under the Constitution and laws of the State.

(b) Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.

(c) Lessee is authorized under the Constitution and laws of the State to enter into this Agreement, all Individual Payment Schedules (as defined below) and the transaction contemplated hereby, and to perform all of its obligations hereunder.

(d) Lessee has been duly authorized to execute and deliver this Agreement and each of the Individual Payment Schedules under the terms and provisions of the ordinance or resolution of its governing body, attached hereto as Exhibit A, and by other appropriate official approval, and further represents and warrants that all requirements have been met, and procedures have occurred in order to insure the enforceability of this Agreement, and Lessee has complied with such

public bidding requirements as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder. Lessee shall cause to be executed an opinion of its counsel substantially in the form attached hereto as Exhibit B.

(e) During the term of this Agreement, the Equipment will be used by Lessee only for the purpose of performing one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority and will not be used in a trade or business of any person or entity other than Lessee.

(f) Each lease of Equipment or Unit(s) of Equipment hereunder shall be evidenced by an Individual Payment Schedule executed by Lessor and Lessee describing specific personal property, and setting forth provisions relating to the Rental Payments, the term of lease, disposition of Equipment upon the expiration of the lease term and other details with respect to it. The lease for each Unit of Equipment shall become effective on the Accrual Date, as defined below, and the Individual Payment Schedule for the Unit or Unit(s) of Equipment shall specify such date as the effective date of the lease. The original term (the "Original Term") of each Individual Payment Schedule shall commence on the Accrual Date as indicated therein and shall terminate the last day of Lessee's then current fiscal year. The term of the lease will be automatically renewed at the end of the Original Term or any renewal term (the "Renewal Term") for an additional one (1) year, unless the governing body of Lessee fails to appropriate sufficient funds for the making of Rental Payments for the next occurring Renewal Term as provided in Section 4 of this Agreement. 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 specific exhibit attached to the applicable Individual Payment Schedule.

(g) During the period this Agreement is in force, Lessee will annually provide, if requested by Lessor, current financial statements, budgets, proof of appropriation for the ensuing fiscal year and such other financial information relating to the ability of Lessee to continue this Agreement as may be reasonably requested by Lessor or its assignee.

(h) Each Unit of Equipment acquired under this Agreement will have a useful life in the hands of Lessee that is substantially in excess of the Original Term and all Renewal Terms specifically relating to it.

(i) All Equipment subject to this Agreement is, and during the period this Agreement is in force shall remain personal property.

(j) This Agreement applies to all items of personal property acquired, or to be acquired, by Lessee as evidenced by the execution of Individual Payment Schedules from time to time as may be required to fulfill Lessee's equipment needs.

(k) Lessee has reviewed its available records and has determined that it has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any municipal lease of the same general nature as this Lease, or under any of its bonds, notes, or other obligations of indebtedness for which its revenues or general credit are pledged.

(l) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby (i) conflicts with or results in a breach of the terms, conditions, provisions, or restrictions of any existing law, or court or administrative decree, order, or regulation, or agreement or instrument to which Lessee is now a party or by which Lessee is bound, including without limitation any agreement or instrument pertaining to any bond, note, lease, certificate of participation, debt instrument, or any other obligation of Lessee (any such bond, note, lease, certificate of participation, debt instrument, and other obligation being referred to herein as an "Obligation Instrument"), (ii) constitutes a default under any of the foregoing, or (iii) results in the creation or imposition of any pledge, lien, charge or encumbrance whatsoever upon any of the property or assets of Lessee, or upon the Equipment except for Permitted Encumbrances.

(m) The Governing Body has complied with all applicable open public meeting and notice laws and requirements with respect to the meetings at which Lessee's execution of this Agreement was authorized.

(n) There are no legal or governmental proceedings or litigation pending, or to the best knowledge of Lessee threatened or contemplated (or any basis therefor) wherein an unfavorable decision, ruling, or finding might adversely affect the transaction contemplated in or the validity of this Agreement.

ARTICLE 2
DEFINITIONS

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

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

"Accrual Date" is the date when the term of the Individual Payment Schedule begins and Lessee's obligation to pay Rental Payments accrues. The lease for each Unit of Equipment shall become effective on the Accrual Date.

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

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

"Base Interest Rate" means the interest rate as set forth in the respective Individual Payment Schedule(s).

"Individual Payment Schedule(s)" means the schedules which identify specific Units of Equipment, the Accrual Dates of the lease and terms thereof (which are treated as separate leases) which may become a part of this Agreement from time to time. Each Individual Payment Schedule shall consist of at least, substantially the forms attached hereto as Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E, and Exhibit F.

"Lease Term" means collectively the Original Term and all Renewal Terms provided for in this Agreement.

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

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

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

ARTICLE 3
DEPOSIT OF MONIES; ACQUISITION AND LEASE OF EQUIPMENT

Section 3.01. Deposit of Monies, Transfers Upon Acceptance. In the event an Escrow Agreement is entered into pursuant to this Agreement, Lessor shall cause to be deposited in the Acquisition Fund created under such Escrow Agreement and held by Escrow Agent, the principal amount specified in Exhibit E. In the event the terms of the Escrow Agreement do not specify the expiration date of said Escrow Agreement, upon the expiration of 18 months from the Accrual Date, unless notified earlier by Lessor and Lessee, Escrow Agent shall apply any monies in the Acquisition Fund representing the contract price to have been paid to the Vendor(s) for any portion of the Equipment and related equipment for which Lessee has not executed an Acceptance Certificate to the reduction of the unpaid principal balance by paying such monies directly to Lessor. The remaining Rental Payments shall be amended to reflect such prepayment of principal. Lessee shall execute a revised Exhibit E to acknowledge such change.

Section 3.02. Acquisition of the Equipment. Lessor hereby appoints Lessee as its agent solely for the purpose

of acquiring the Equipment and Lessee hereby accepts such appointment. Lessee will do all things necessary to arrange for the acquisition and delivery of the Equipment to Lessee. Lessor shall not responsible for a Vendor's failure to deliver any Equipment. Lessor shall not be responsible for the obligations of Vendor, and a failure by the Vendor to perform shall not affect Lessee's obligation to make Rental Payments under this Agreement. Lessee agrees that the Equipment will be acquired in accordance with the terms, conditions and specifications therefor and on file with Lessor.

Upon completion of acquisition of the Equipment satisfactory to Lessee and after authorization by Lessor, but in any event not later than thirty (30) days following completion of such acquisition, Lessee shall deliver to Lessor the required documentation to effect disbursement from the Escrow Account. Lessor shall have no obligation to consent to a disbursement by the Escrow Agent until five (5) business days after it has received all of the following in form and substance satisfactory to Lessor: (a) Acceptance Certificate in the form of Exhibit F hereto; (b) evidence of insurance with respect to the Equipment in compliance with Section 8.03 of this Agreement; (c) Vendor invoice(s) relating to the Equipment and, if such invoice(s) has been paid by Lessee, evidence of payment thereof and evidence of official intent to reimburse such payment as required by the Code; (d) financing statements naming Lessee as debtor and/or the manufacturer's Certificate of Origin/Certificate of Title and Title Application Form for Equipment subject to Certificate of Title laws; and (e) any other documents or items reasonably required by Lessor, including all of the Exhibits required in accordance with the applicable Individual Payment Schedule.

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

Section 3.03. Payment of Acquisition Cost. Subject to Lessor consent, payment to the Vendor(s) of the Acquisition Cost(s) of acquiring the Equipment shall be made from the monies deposited with Escrow Agent, as provided in Section 3.01, which shall be disbursed for that purpose in accordance with and upon compliance with the terms of the Escrow Agreement. Lessor shall not be responsible for any cost overruns for purchasing the Equipment caused by modifications requested by Lessee. In the event such monies are insufficient to pay all Acquisition Costs, Lessee shall pay the remaining Acquisition Costs from its own funds.

ARTICLE 4 LEASE TERM

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

Section 4.02. Commencement of Lease Term. The Original Term of any Individual Payment Schedule shall commence on the Accrual Date and shall terminate the last day of Lessee's then current fiscal year. The Lease Term will be automatically renewed at the end of the Original Term or any Renewal Term for an additional one year, unless Lessee gives written notice to Lessor not less than ninety (90) days prior to the end of the Original Term or Renewal Term then in effect, or such other notice as may be provided in Article 6 hereof, of Lessee's intention to terminate this Agreement at the end of the Original Term or Renewal Term, or upon receipt by Lessor of the Rental Payment due plus the applicable Purchase Price pursuant to Articles 9 or Article 11, as the case may be. 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 Individual Payment Schedule.

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

- (a) the expiration of the Original Term or any Renewal Term of the applicable Individual Payment Schedule and the non-renewal of such Individual Payment Schedule in the event of non-appropriation of funds pursuant to Section 6.06 hereof;
- (b) the exercise by Lessee of the option to purchase the Equipment granted under the provisions of Articles 9 or 11 hereof;

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

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

This Agreement will automatically terminate in whole upon the last day of the last Renewal Term with respect to any Individual Payment Schedule(s) outstanding plus any other outstanding charges as set forth herein.

ARTICLE 5 ENJOYMENT OF EQUIPMENT

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

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

ARTICLE 6 RENTAL PAYMENTS

Section 6.01. Rental Payments Constitute a Current Expense of Lessee Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments hereunder and under each Individual Payment Schedule shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee. Rental Payments shall be in consideration of Lessee's use of the Equipment during the year in which such payments are due.

Section 6.02. Payment of Rental Payments. Lessee shall pay Rental Payments, exclusively from legally available monies from its general fund and such other legally available funds as may be designated by Lessee in lawful money of the United States of America to Lessor or, in the event of assignment by Lessor, to its assignee, in the amounts and no later than the dates set forth in the applicable Individual Payment Schedule(s). In the event Lessor or its assignee does not receive Rental Payments within such period of time, interest shall continue to accrue at the Base Interest Rate until paid.

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

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

Section 6.05. Continuation of Lease Term by Lessee. Lessee intends, subject to the provisions of Section 6.06 below, to continue the lease of the Equipment and all Units thereof through the Original Term and all of the Renewal Terms of each Individual Payment Schedule and to make the Rental Payments as the same shall become due hereunder and under each Individual Payment Schedule. Lessee reasonably believes that legally available funds in an amount sufficient to make all Rental Payments during the Original Term and each of the Renewal Terms for the Individual

Payment Schedules can be obtained. Lessee agrees to submit the Rental Payments in the budget for consideration for approval by the City Council on an annual basis during the Original Term and each of the Renewal Terms. Lessee further 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 biennial or annual budget submitted and adopted in accordance with applicable provisions of the laws of the State, and to have such portion of the budget approved.

Section 6.06. Non-appropriation. In the event sufficient funds are not available to be appropriated for the Rental Payments required to be paid in the next occurring Renewal Term, then Lessee may terminate this Agreement in whole only by terminating any or all of the Individual Payment Schedules at the end of the then current Original Term or Renewal Term of the respective Individual Payment Schedules, and Lessee shall not be obligated to make payment of the Rental Payments provided for in this Agreement or the Individual Payment Schedules beyond the then current Original or Renewal Term. Lessee agrees to deliver notice to Lessor of such termination. If this Agreement is terminated under the provisions of this Section 6.06, Lessee agrees peaceably to deliver the Unit or Units of Equipment subject to the Individual Payment Schedule or Schedules so terminated to Lessor at the location or locations specified by Lessor. TO THE EXTENT LAWFUL, Lessee agrees that if funds are appropriated to make Rental Payments for a succeeding fiscal year, it will not terminate this Agreement or any Individual Payment Schedule during such fiscal year. In the event of non-appropriation, Lessee shall only be responsible for interest which shall have accrued on the principal balance outstanding as of the preceding Rental Payment due date, as set forth in the Exhibit E attached to the applicable Individual Payment Schedule, through the end of the then current Original Term or Renewal Term.

ARTICLE 7 TITLE TO EQUIPMENT; ENCUMBRANCES

Section 7.01. Title to the Equipment. During the term of this Lease, title to the Equipment and any and all repairs, substitutions, replacements or modifications will be in Lessor or its assigns, subject to the rights of Lessee hereunder. To secure the payment of all Lessee obligations under this Lease, Lessee assigns to Lessor any proceeds of the Equipment, and amounts held in any fund created hereby with respect to the equipment. Lessee agrees to execute such additional documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its interest in the Equipment and such proceeds and funds.

Section 7.02. Encumbrances. Except for Permitted Encumbrances, Lessee will not permit (i) any liens or encumbrances to be established or remain against the Equipment or (ii) any mechanic's or other lien to be established or remain against the Equipment for labor or materials furnished in connection with any additions, modifications or improvements made by Lessee pursuant to this Section; provided that if any such mechanic's lien is established and Lessee shall first notify or cause to be notified 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 and shall provide Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to Lessor. Lessor will cooperate fully in any such contest.

Section 7.03 Waiver of Damages. With respect to all of the remedies provided for in this Article 7, the Lessee hereby waives any damages occasioned by Lessor's repossession of the Equipment upon an event of default or termination of this Agreement.

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

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

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

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

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

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

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

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

Lessor and Lessee shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest component of the Rental Payments will not be included in the gross income of Lessor for federal income tax purposes. If Lessor either (i) receives notice from the Internal Revenue Service; or (ii) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and approved by Lessee, which approval Lessee shall not unreasonably withhold, that Lessor may not exclude the interest component of any Rental Payment from federal gross income because Lessee breached a covenant contained herein, then Lessee shall pay to Lessor, within thirty (30) days after Lessor notifies Lessee of such determination, the amount which, with respect to

Rental Payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest component of all Rental Payments due through the date of such event) that are imposed on Lessor as a result of the loss of the exclusion, will restore to Lessor the same after-tax yield on the transaction evidenced by this Agreement (assuming tax at the highest marginal corporate tax rate) that it would have realized had the exclusion not been lost. Additionally, Lessee agrees that upon the occurrence of such an event, it shall pay additional rent to Lessor on each succeeding Rental Payment due date in such amount as will maintain such after-tax yield to Lessor.

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

Section 9.01. Damage, Destruction and Condemnation. Unless Lessee shall have exercised its option to purchase the Equipment or any Unit thereof by making payment of the Purchase Price as provided herein or in the applicable Individual Payment Schedule, if prior to the termination of the Lease Term (a) the Equipment or any Unit or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any Unit or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee and Lessor will cause the Net Proceeds (as defined below) of any insurance claim or condemnation awarded to be applied to the prompt repair, restoration, modification or improvement of the Equipment. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee. For purposes of Section 8.03 and this Article 9, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Section 9.02. Insufficiency of Net Proceeds. Subject to Lessee's right to terminate this Agreement or any Individual Payment Schedule under Section 6.06 hereof, if the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 9.01 hereof, Lessee shall either (a) complete the repair or replacement of damaged property and pay any costs in excess of the amount of Net Proceeds or (b) pay to Lessor the amount of the applicable Purchase Price, applying Net Proceeds to such payment.

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

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

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

Section 10.03. Use of the Equipment. Lessee will not use, operate or maintain the Equipment or cause the Equipment to be used, operated or maintained improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Lessee shall provide or cause to be provided all permits and licenses, if any, necessary for the operation of the Equipment. Lessee may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may, to the extent permitted by law, permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that prior to such nonpayment it shall furnish the Lessor with the opinion of an independent counsel acceptable to the Lessor to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Equipment will not be materially endangered and that the Equipment will not be subject to loss or forfeiture. Otherwise, the Lessee shall promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor. Lessee shall notify Lessor within five (5) business days if there are any claims or lawsuits arising in connection with the Equipment or use thereof.

ARTICLE 11 OPTION TO PURCHASE

Lessee is hereby granted the option to prepay all or a portion of its obligations under this Agreement (if partial prepayment, Lessee shall have the option to prepay once during the Original Term and each Renewal Term) and purchase the Equipment or any Unit thereof for the Purchase Price set forth in Exhibit(s) E hereto or on any applicable Individual Payment Schedule(s). At the request of Lessee, Lessor's title to the Equipment shall transfer to Lessee and this Agreement shall terminate:

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

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

(c) at any time prior to the end of the Original Term by paying the first Rental Payment due plus the Purchase Price, or, in the event Lessee wishes to exercise its option following the Original Term or any Renewal Term, but prior to the due date of the next Rental Payment by paying the preceding Purchase Price as set forth in the applicable Individual Payment Schedule plus accrued interest on the outstanding principal balance at the Base Interest Rate thereon to the date of settlement thereof, plus all past due charges and other amounts hereunder then due and owing, if any; or

(d) if the Lease Term is terminated pursuant to Article 9 of this Agreement, in the event of total damage, destruction or condemnation of the Equipment or any Unit thereof and, if Lessee is not on such date in default under this Agreement, upon payment of the then applicable Purchase Price to Lessor plus all past due charges and other amounts hereunder then due and owing, if any, subject to Lessee's right to terminate this Agreement or any Individual Payment Schedule under Section 6.06 hereof.

In the event Lessee purchases less than all of the Equipment, the related Individual Payment Schedule(s) shall be amended to reflect such prepayment of principal and the remaining Rental Payments shall be adjusted accordingly. Further, Lessee agrees to execute such revised Individual Payment Schedule(s).

ARTICLE 12

ASSIGNMENT, SUBLEASING, INDEMNIFICATION MORTGAGING AND SELLING

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

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

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

ARTICLE 13 EVENTS OF DEFAULT AND REMEDIES

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

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

(b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 13.01(a) or 13.01(c), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied as given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action deemed appropriate by Lessor in its sole discretion, is instituted by Lessee within the applicable period and diligently pursued until the default is corrected; and (c) Failure by Lessee to maintain insurance on the Equipment in accordance with Section 8.03 hereof; and

(d) A determination by Lessor that any representation or warranty of Lessee was untrue when made. The foregoing provisions of this Section 13.01 are subject to (i) the provisions of Section 6.06; and (ii) if by reason of force majeure Lessee is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of Lessee contained in Article 6 and Section 8.03 hereof, Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or of the state wherein Lessee is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; or explosions.

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

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

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

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

Section 13.04 Attorneys Fees. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party

ARTICLE 14 MISCELLANEOUS

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

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

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

Section 14.04. Amendments. The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by Lessor and Lessee, nor shall any such

amendment that affects the rights of Lessor's assignee be effective without such assignee's consent.

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

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

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

Section 14.08. Arbitration. To the extent permitted by law, any dispute, controversy or claim arising out of or based upon the terms of this Agreement or the transactions contemplated hereby shall be settled exclusively and finally by binding arbitration. Upon written demand for arbitration by any party hereto, the parties to the dispute shall confer and attempt in good faith to agree upon one arbitrator. If the parties have not agreed upon an arbitrator within thirty (30) days after receipt of such written demand, each party to the dispute shall appoint one arbitrator and those two arbitrators shall agree upon a third arbitrator. Any arbitrator or arbitrators appointed as provided in this section shall be selected from panels maintained by, and the binding arbitration shall be conducted in accordance with the commercial arbitration rules of, the American Arbitration Association (or any successor organization), and such arbitration shall be binding upon the parties. The arbitrator or arbitrators shall have no power to add or detract from the agreements of the parties and may not make any ruling or award that does not conform to the terms and conditions of this Agreement. The arbitrator or arbitrators shall have no authority to award punitive damages or any other damages not measured by the prevailing party's actual damages. Judgment upon an arbitration award may be entered in any court having jurisdiction. The prevailing party in the arbitration proceedings shall be awarded reasonable attorney fees and expert witness costs and expenses.

Section 14.09. Entire Agreement. This Agreement constitutes the entire agreement between Lessor and Lessee as to the matters herein described. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing signed by both parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, representations or warranties, express or implied, not specified herein regarding this Agreement or the Equipment leased hereunder. Any terms and conditions of any purchase order or other document submitted by Lessee in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lessor and will not apply to this Agreement. Lessee by the signature below of its authorized representative acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and conditions.

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

LESSEE: City of Manitou Springs

Attest:

By: _____

By: _____

Title: _____

Title: _____

Date: _____

LESSOR: Municipal Services Group, Inc.

Attest:

By: _____

By: _____

Title: _____

Title: _____

Date: _____

INDIVIDUAL PAYMENT SCHEDULE #1

TO

MASTER MUNICIPAL LEASE AND OPTION AGREEMENT NUMBER M-1807

Entered into March 1, 2012 (the "Dated Date") by and between Lessor and Lessee, this Individual Payment Schedule #1 is made a part of Master Municipal Lease and Option Agreement Number **M-1807** and hereby incorporates all terms and conditions of said Agreement with respect to Lessee's and Lessor's rights in the personal property described in this Schedule.

This Individual Payment Schedule consists of:

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

LESSOR: Municipal Services Group, Inc.

LESSEE: City of Manitou Springs

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

Ordinance of Governing Body

EXHIBIT B
OPINION OF COUNSEL
(On Attorney's Letterhead)

March __, 2012

Municipal Services Group, Inc.
5125 S. Kipling Parkway, Ste. 300
Littleton, CO 80123

Re: City of Manitou Springs, Colorado
Master Municipal Lease and Option Agreement

Ladies and Gentlemen:

We have acted as special counsel to Municipal Services Group, Inc., a Colorado corporation (“MSG”), in connection with the execution and delivery of a Master Municipal Lease and Option Agreement (the “Lease”) between MSG and the City of Manitou Springs, Colorado (the “City”).

MSG is entitled to receive certain amounts, as provided in the Lease, from the Rental Payments payable by the City under the Lease (the “Rental Payments”), each of which Rental Payments includes a portion designated as the Interest Portion (the “Interest Portion”). Under the Lease, the City has agreed to pay to MSG or its assignee, from legally available moneys of the City, the Rental Payments.

In connection with the execution of the Lease, we have examined the following:

- (a) The Certified Record of Proceedings of the City Council of the City taken in connection with the Ordinance of the City authorizing the execution and delivery of the Lease (the “Ordinance”);
- (b) An original or a copy certified to our satisfaction of the Lease;
- (c) The Constitution and laws of the state of Colorado (the “State”) as presently enacted and construed and the Home Rule Charter of the City; and
- (d) Such other documentation and materials as we have deemed necessary and appropriate to render the opinions set forth in this letter, subject to the limitations, assumptions, and qualifications noted below.

In basing certain matters set forth herein on “our knowledge,” the words “our knowledge” signify that, in the course of our representation of MSG in matters with respect to which we have been engaged by MSG as counsel, no information has come to our attention that would give us actual knowledge or actual notice that any such opinions or other matters are not accurate or that any of the foregoing documents, certificates, and information on which we have relied are not accurate and complete. Except as otherwise stated herein, we have undertaken no independent investigation or verification of such matters.

We have assumed the genuineness of all signatures (other than as to MSG), the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as certified, conformed, or photostatic copies.

Based on the foregoing, it is our opinion as of the date hereof and under existing law, that:

1. The City was duly organized and validly exists under the Constitution and laws of the State and its Home Rule Charter.
2. The Lease has been duly authorized, executed and delivered by City.
3. The Lease is a legal, valid and binding obligation of City, enforceable in accordance with its terms, except as enforceability may be limited or affected by bankruptcy law, creditors' rights and insolvency law or equitable principles generally.
4. Applicable public bidding requirements have been complied with.
5. To the best of our knowledge, after due inquiry, no litigation is pending or threatened in any court or other tribunal, state or Federal, in any way questioning or affecting the validity of the actions of the governing body of City or the Lease.
6. The signatures of the officers of City that appear on the Lease are true and genuine; I know said officers and know them to hold the offices set forth below their names.
7. To the best of our knowledge, there are no pending actions or proceedings to which City is a party, and there are no other pending or threatened actions or proceedings of which City has knowledge, before any public body, court, arbitrator or administrative agency, which, either individually or in the aggregate, would materially adversely affect the transaction contemplated by the Lease or the ability of City to perform its obligations under the Lease. Further, to the best of our knowledge, City is not in default under any material obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement which, either individually or in the aggregate, would have the same such effect.
8. To the best of our knowledge, the Lease does not conflict with other agreements or obligations binding on City.
9. City is a home rule city and political subdivision of the State of Colorado and City has police powers, taxation powers and eminent domain powers.
10. To the best of our knowledge, the governing body of City has complied with all applicable open public meeting and notice laws and requirements with respect to the meetings at which the formal action described in the ordinance was adopted and the City's execution of the Lease was authorized.
11. Either there are no usury laws of the State applicable to the Lease, or the Lease is in accordance with and does not violate all such usury laws as may be applicable.
12. The adoption, execution and/or delivery of the Lease and the Ordinance, and the compliance by the City with their provisions, will not conflict with or constitute a breach of or default under any court decree or order or any agreement, indenture, lease or other instrument or any existing law or administrative regulation, decree or order to which the City is subject or by which the City is or may be bound.
13. Under the applicable laws, regulations, rulings and judicial decisions of the United States of America in force and effect on the date hereof, that the portion of the Rental Payments described payable by the City during the term of the Lease that is designated and paid as the Interest Portion is not includable in federal gross income and is, therefore, excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code; it should be noted, however, that such Interest Portion is required to be included in calculating the adjusted current earnings adjustments applicable to corporations for purposes of computing the alternative minimum taxable income of corporations.

The opinions set forth in paragraph 13 above are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the execution of the Lease in order that such Interest Portion be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such

requirements may cause the inclusion of such Interest Portion in gross income for federal income tax purposes to be retroactive to the date of the Lease. We express no opinion regarding other federal tax consequences arising with respect to the Lease. We call to your attention the fact that the Lease may be terminated by the City in accordance with the provisions thereof, including termination in the event the City does not appropriate annually an amount sufficient to provide for the Lease Payments. We render no opinion as to the effect that a termination of the Lease may have upon the treatment for federal income tax purposes of any moneys received with respect to the Lease by MSG or its successors or assigns subsequent to such an occurrence.

In rendering this opinion, we also have assumed that the Lease accurately reflects the complete understanding of the parties with respect to the transactions contemplated thereby and the rights and the obligations of the parties thereunder. We also have assumed that the terms and the conditions of the Lease has not been amended, modified or supplemented, directly or indirectly, by any other agreement or understanding of the parties or waiver of any of the material provisions of the Lease, and that the parties to the Lease and their successors or assigns will (i) act in good faith and in a commercially reasonable manner in the exercise of any rights or enforcement of any remedies under the Lease; (ii) not engage in any conduct in the exercise of such rights or enforcement of such remedies that would constitute other than fair and impartial dealing; and (iii) comply with all requirements of applicable procedural and substantive law in exercising any right or enforcing any remedies under the Lease.

Our opinions are limited to matters governed by Colorado law. We have also assumed that the parties to the Lease are competent and, other than MSG, have the legal capacity and authority to execute, deliver and perform such documents. We have assumed without contrary knowledge the genuineness of all signatures on documents examined by us, the authenticity of all documents furnished to us as originals and the conformance to authentic originals of all documents furnished to us as copies. We have also relied, with your consent, as to certain factual matters, upon certifications made by authorized representatives of the City and MSG as part of the closing documents or recitals included within Lease, whether or not specifically addressed to us. We have made no independent inquiry with respect to such factual matters, and nothing herein shall be construed as an independent representation of any such facts.

As Counsel to MSG, we are passing upon only those matters expressly set forth in this opinion and are not passing upon the accuracy or completeness of any statements made in connection with the Lease,.

We assume no obligation to supplement this opinion if any applicable laws change after the date of his opinion, or if we become aware of any facts that might change the opinions expressed above after the date of this opinion.

This letter is being delivered to the addressees at the request of MSG, is for the sole use of the addressees and may not be furnished to or relied upon by any other person other than any subsequent successor(s) and/or assignee(s) of MSG without our prior written consent, provided that, a copy of this opinion may be included within a compilation of closing documents prepared with respect to the Lease. In delivering this opinion, no attorney-client relationship is intended to be created between this firm and any addressees other than MSG, each of whom, we understand, has been separately represented by counsel or has determined to execute documents without advice of counsel.

Very truly yours,

HAHN, SMITH, WALSH & MANCUSO, P.C.

EXHIBIT C

CERTIFICATE AS TO ARBITRAGE

I, the undersigned officer of City of Manitou Springs in the state of Colorado (the "Lessee") being the person duly charged, with others, with responsibility of issuing Lessee's obligation in the form of that certain Individual Payment Schedule No. 1 and Master Municipal Lease and Option Agreement Numbered **M-1807** (the "Agreement") by and between Lessee and Municipal Services Group, Inc. as lessor (the "Lessor") HEREBY CERTIFY that:

1. The Agreement was executed and delivered by Lessee under and pursuant to existing law to finance the acquisition of the Equipment as described in the Agreement.
2. Pursuant to the Agreement, Lessee is entitled to the use and possession of the Equipment in consideration for the obligations of Lessee under and pursuant to the Agreement. The Equipment will be used in furtherance of the public purposes of Lessee and only for the performance of one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority.
3. Lessee does not intend to sell the Equipment during the term of the Agreement. Lessee will not receive any monies, funds or other "proceeds" as a result of the execution or delivery of the Agreement other than as described in Paragraph 6 hereof.
4. Lessee has not established any sinking fund from which it intends to make payment under the Agreement, and no monies are pledged other than amounts annually appropriated from the General Fund or other legally available funds of Lessee in amounts equal to the required payments under the Agreement. The remaining general funds of Lessee are not reasonably expected to be used to make such payments, and no other monies, except as set forth herein, are pledged to the payments due under the Agreement or reasonably expected to be used to pay principal and interest payments due under the Agreement.
5. Lessee certifies that the Equipment (as defined in the Agreement) will be operated by Lessee and will not be used in the trade or business of any person on a basis different from the general public.
6. The proceeds to be derived from the Agreement by Lessor or its assignee on the date hereof together with anticipated investment earnings thereon are expected to pay the costs of the acquisition of the Equipment and the financing and legal costs in respect of the execution and delivery of the Agreement. Accrued interest from the Accrual Date not to exceed the interest for a period of six (6) months shall be retained by Lessor or its assignee, if any. The proceeds derived from the sale of an interest in rights to receive Rental Payments under the Agreement, together with anticipated investment earnings thereon, will not exceed the amount necessary for the purpose of the Agreement. It is anticipated that the acquisition of the Equipment will proceed with due diligence to completion and that all of the proceeds derived from the Agreement will be spent within the eighteen (18) months following the execution and delivery of the Agreement and this certificate.
7. The Lessee represents that the Lessee has general taxing powers. A governmental unit has general taxing powers if it has the power to impose taxes (or to cause another entity to impose taxes) of general applicability which, when collected, may be used for the general purposes of that governmental unit. The Lessee also represents that the reasonably anticipated amount of tax-exempt obligations for essential and public purposes which will be issued by the Lessee and all subordinate entities of the Lessee during calendar year 2012 (excluding the portion of obligations issued to currently refund outstanding obligations of the Lessee to the extent the amount of refunding obligation does not exceed the outstanding amount of the refunding obligation) does not exceed \$5,000,000. Accordingly, pursuant to Section 1.148-8 of Treasury Regulations promulgated under the Code, there is no requirement that the Lessee rebate any investment earnings in excess of the yield on the Lease to the federal government, so long as at least 95 percent of the Net Proceeds of the Lease are to be used for local governmental activities of the Lessee (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Lessee).

8. Lessee has not received notice that its Certificate may not be relied upon with respect to its own issues, nor has it been advised that any adverse action by the Commissioner of Internal Revenue is contemplated.

9. Lessee is qualified to designate and hereby designates the obligation represented by the Agreement as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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

LESSEE: City of Manitou Springs

By: _____

Title: _____

Date: _____

EXHIBIT D

DESCRIPTION OF EQUIPMENT

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

Various rolling stock vehicles for the Public Works Department and accounting software for the Business Office

Together with all additions, accessions and replacements thereto.

Lessee hereby certifies that the description of the Equipment set forth above constitutes an accurate description of the "Equipment", as defined in the attached Master Municipal Lease and Option Agreement applicable Individual Payment Schedule. Lessee hereby agrees that it will not relocate the Equipment from the location described below, with the exception of relocation in the course of normal usage, without prior written notice to Lessor.

LESSEE: City of Manitou Springs

By: _____

Title: _____

Address of Equipment Upon Delivery and Acceptance:

EXHIBIT E

SCHEDULE OF PAYMENTS

Dated Date: March 1, 2012

Compound Period: Annual

*Interest Rate: 2.10 %

Transaction Fee of \$4,500.00 Due at Closing

If escrow is needed, a \$250.00 set up fee will be assessed

Payment Number	Payment Date	Payment Amount	Principal Amount	Interest Amount	Purchase Price
1	On delivery	\$90,439.39	\$90,439.39	\$0.00	\$350,582.25
2	3/1/2013	\$90,439.39	\$83,225.16	\$7,214.23	\$265,522.67
3	3/1/2014	\$90,439.39	\$84,972.89	\$5,466.50	\$178,761.90
4	3/1/2015	\$90,439.39	\$86,757.32	\$3,682.07	\$90,265.91
5	3/1/2016	\$90,439.39	\$88,579.24	\$1,860.15	\$0.00
Totals		\$452,196.95	\$433,974.00	\$18,222.95	

*Lessor may adjust the Interest Rate at or prior to closing to reflect market conditions and cost of funds at closing.

LESSEE: City of Manitou Springs

By: _____

Title: _____

EXHIBIT F

ACCEPTANCE CERTIFICATE

The undersigned, as Lessee under the Master Municipal Lease and Option Agreement numbered **M-1807** (the "Agreement"), with Municipal Services Group, Inc. ("Lessor"), hereby fully accepts and acknowledges receipt in good condition of the Equipment described in the Agreement or in the applicable Individual Payment Schedule attached thereto this _____ of _____ 2012 and certifies that Lessor has fully and satisfactorily performed all of its covenants and obligations required under the Agreement.

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

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

LESSEE: City of Manitou Springs

By: _____

Title: _____

EXHIBIT G

INSURANCE COVERAGE REQUIREMENTS

TO: Municipal Services Group, Inc.
5125 S. Kipling Parkway, Ste. 300
Littleton, CO 80123

FROM: City of Manitou Springs

SUBJECT: INSURANCE COVERAGE REQUIREMENTS

1. In accordance with Section 8.03 of the Master Municipal Lease and Option Agreement No. M-1807, we will instruct the insurance agent named below (please fill in name, address, and telephone number)

Provider Name: _____

Provider Address: _____

Provider Contact Person: _____

Contact Email Address (if available): _____

Phone Number: _____ Fax Number: _____

to issue:

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

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

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

OR, Upon Lessor's Consent,

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

3. Proof of insurance coverage will be provided to Lessor no later than the time that the Equipment or Unit thereof is delivered to us.

LESSEE: City of Manitou Springs

By: _____

Title: _____

BANK ELIGIBILITY CERTIFICATE

THIS BANK ELIGIBILITY CERTIFICATE is entered into this _____ of March, 2012 and is executed by City of Manitou Springs, as Lessee, supplementing and adding to Individual Payment Schedule No. 1 to Master Municipal Lease and Option Agreement No. **M-1807**.

WITNESSETH:

WHEREAS, Lessor and Lessee have entered into Master Municipal Lease and Option Agreement No. **M-1807**; and

WHEREAS, Lessee desires to supplement the Agreement;

NOW THEREFORE, in consideration of the premises hereinafter contained, Lessee hereby certifies that:

Lessee has not issued or effected the issuance of, and reasonably anticipates that it shall not issue or effect the issuance of more than Ten Million Dollars (\$10,000,000.00) of tax-exempt obligations during the 2010 calendar year, and hereby designates the lease of the Equipment to which this certificate pertains as a "qualified tax-exempt obligation," as defined by Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended.

In witness whereof, Lessee has caused this Supplement to the Agreement to be executed by its respective officers thereunto duly authorized, all as of the date and year first above written.

LESSEE: City of Manitou Springs

By: _____

Title: _____

INCUMBENCY CERTIFICATE

I do hereby certify that I am the duly elected or appointed _____ of the City of Manitou Springs, duly organized and existing under the laws of the state of Colorado, that I have custody of the records of such entity, and that, as of the date hereof, the individuals named below are the duly elected or appointed officers of such entity holding the offices set forth opposite their respective names. I further certify that (i) the signatures set opposite their respective names and titles are their true and genuine signatures, and (ii) such officers have the authority on behalf of such entity to enter into agreements on the entity's behalf.

NAME

TITLE

SIGNATURE

Signature

Name

Title

IN WITNESS WHEREOF, I have duly executed this certificate this _____ day of March ____, 2012.