

Council Meeting of  
April 3, 2007

**SUPPLEMENTAL**

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

**Members of the Council:**

**SUBJECT: Supplemental Material to Council Item 8F**

The attached supplemental material is provided due to a slight adjustment in the effective interest rate for the subject vehicle lease. The interest rate adjustment has increased the "Not to Exceed" amount from \$327,423.80 to \$327,693.20 over the 5-year term of the lease.

Accordingly, attachments A and C of the original Agenda Item have been modified to reflect this adjustment and are attached hereto.

Respectfully submitted,

**SHERYL BALLEW**  
General Services Director

  
By David K. Winnett, Jr.  
Fleet Services Manager

**CONCUR:**

  
Sheryl Ballew  
General Services Director

  
Robert J. Beste  
Public Works Director

  
LeRoy J. Jackson  
City Manager

**ATTACHMENT:**

- A. State and Municipal Master Lease/Purchase Agreement
- C. Form 8038-G Information Return for Tax-Exempt Governmental Obligations



PACCAR FINANCIAL

**STATE AND MUNICIPAL****MASTER LEASE/PURCHASE AGREEMENT**

This State and Municipal Master Lease/Purchase Agreement (the "Lease") is made and entered into this 3rd day of April, 2007 by and between PACCAR Financial Corp., a Washington corporation, with offices at 10604 NE 38<sup>th</sup> Place Suite 215 Kirkland, WA 98033 (herein called the "Lessor"), and City of Torrance with an address at 20500 Madrona Avenue Torrance, CA 90503 (herein called the "Lessee").

**1. LEASE OF EQUIPMENT.** From time to time Lessee shall advise lessor of its desire to lease an item or items of personal property designated on an equipment schedule in the form of Exhibit A. Such property, together with all replacement parts, repairs, additions and accessories incorporated therein or affixed thereto (including but not limited to bodies) and all proceeds thereof are herein collectively called the "Equipment." An "Equipment Group" consists of the Equipment listed on any single Exhibit A. Subject to the terms and conditions hereof, Lessor agrees to lease and Lessee agrees to lease from Lessor the Equipment in each Equipment Group upon the execution of the Exhibit in connection therewith.

**2. DELIVERY AND ACCEPTANCE.** At the request of Lessee, Lessor agrees to order the Equipment from the supplier of such Equipment, but shall not be liable for specific performance of this Lease or for damages if for any reason the supplier delays or fails to fill the order. Lessee shall cause each Equipment Group to be delivered at the location specified in the applicable Exhibit A (the "Equipment Location"). Lessee shall pay all transportation and other costs, if any, incurred in connection with the delivery of the Equipment. Any delay in such delivery shall not affect the validity of this Lease. Lessee shall accept the Equipment Group as soon as it has been delivered and is operational. Lessee shall have no more than five (5) days from the date of delivery of the Equipment Group to accept such Equipment. In the event the Equipment is not accepted by Lessee within five (5) days from the date of its delivery, Lessor, at Lessor's sole option, shall have the right to terminate this Lease for that Equipment Group. Upon delivery of any Equipment Group, Lessee will provide to Lessor a completed and executed copy of a delivery and acceptance certificate in the form of Exhibit B attached hereto and made a part hereof (the "Acceptance Certificate"), and upon execution of this Lease and/or each Acceptance Certificate Lessee will provide to Lessor an opinion of counsel in the form attached hereto as Exhibit C, and, if applicable, a certificate of duly authorized official as to designation as a qualified tax-exempt obligation. However, if Lessee retains possession of Equipment for more than five (5) days for any reason, or if Lessee makes any use of Equipment to any extent or for any reason, then such Equipment shall be deemed accepted for this Lease as fully as if Lessee signed the Acceptance Certificate, even if a signed Acceptance Certificate is not delivered to Lessor. Lessee hereby authorizes the Lessor to add

to this Lease and to any other description of the Equipment the serial number of each item of Equipment when available.

**3. TERM.** This Lease shall become effective upon the execution hereof by Lessee and Lessor. The initial term of this Lease for any Equipment Group shall commence on the date (the "Start Date") Lessee executes the Acceptance Certificate through the end of Lessee's fiscal year containing the Start Date and, unless earlier terminated as expressly provided for in this Lease, shall be automatically renewed on a year-to-year basis for the number of annual fiscal periods necessary to comprise the lease term as set forth in the Exhibit A for any particular Equipment Group (the "Lease Term").

**4. RENT.** Lessee agrees to pay to Lessor or any Assignee (as defined in Section 21 below) the rental payments for the Equipment as set forth in the Exhibit A for that Equipment Group (the "Rental Payments"). A portion of each Rental Payment is paid as and represents the payment of interest as set forth in Exhibit A. The Rental Payments shall be payable, without notice nor demand, at the principal office of Lessor (or such other place as Lessor or any Assignee may designate in writing, from time to time) and shall commence on the Start Date or as otherwise set forth in such Exhibit A, and the remaining Rental Payments shall be payable on the same day of each consecutive month or quarter or semiannual or annual period thereafter (as designated in such Exhibit A) for the duration of the Lease Term. Any notice, invoicing, purchase orders, quotations or other forms or procedures required by Lessee as a condition precedent to payment shall be fully explained and provided to Lessor or any Assignee sufficiently in advance of the payment due date for the completion thereof by Lessor or any Assignee prior to such payment date. To the extent permitted by applicable law, whenever any portion of a Rental Payment is received by Lessor or its Assignee more than ten (10) days from the due date, Lessee shall pay to Lessor or its Assignee, on demand, the amount of ten percent (10%) of such overdue amount or the highest lawful rate, whichever is less. EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 9 HEREOF, THE RENTAL PAYMENTS SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS AND WILL NOT BE SUBJECT TO ANY SETOFF, DEFENSE, COUNTERCLAIM, ABATEMENT OR RECOUPMENT FOR ANY REASON WHATSOEVER.

**5. SECURITY DEPOSIT.** The security deposit, if any, specified on each Exhibit A shall secure the full and faithful performance of all agreements, obligations and warranties of Lessee hereunder. Such deposit shall not excuse the performance of any such agreements, obligations or warranties of Lessee or prevent an occurrence of an Event of Default in the event of the failure of Lessee to so perform. Lessor may (but need not) apply all or any part of any such security deposit toward discharge of any overdue obligation of Lessee. To the extent any portion of such security deposit is so applied by Lessor, Lessee shall immediately restore the security deposit to its full amount. If upon the expiration of the Lease Term with respect to an Equipment Group, Lessee shall have fully complied with all its agreements, obligations and warranties hereunder (including its obligations with regard to any other Equipment Group), the unused portion of any security deposit

with respect to said Exhibit A will be refunded to Lessee. Lessor shall not be obligated to pay any interest on any security deposit.

**6. AUTHORITY AND AUTHORIZATION.** Lessee represents, warrants and covenants with respect to this Lease and each Exhibit A that (a) it shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its existence, and (ii) the Lease; (b) it has complied with all bidding and budgeting requirements where necessary and by due notification has presented this Lease for approval and adoption as a valid obligation on its part and that all requirements have been met and procedures have been followed to ensure the enforceability of the Lease; (c) it has sufficient appropriations or other funds available to pay all amounts due hereunder for the current fiscal period; (d) no event has occurred and no condition exists which, upon the execution of this Lease or with notice or the passage of time or both, would constitute a default under any debt, revenue or purchase obligation which it has issued or to which it is a party (an "Obligation") nor has it been in default under any Obligation at any time during the past five (5) years; and (e) no lease, rental agreement or contract for purchase, to which Lessee has been a party, at any time during the past five (5) years, has been terminated by Lessee as a result of insufficient funds being appropriated in any fiscal period.

**7. LESSEE CERTIFICATION.** Lessee warrants and covenants with respect to this Lease and each Exhibit A that (i) it is a state, or a political subdivision thereof, within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and the related regulations and rulings thereunder; (ii) Lessee's obligation under this Lease constitutes an enforceable obligation issued by or on behalf of a state, or political subdivision thereof; (iii) this Lease and each Exhibit A hereunder represents a valid deferred payment obligation of Lessee for the amount herein set forth; (iv) Lessee has the legal capacity to enter into this Lease and each Exhibit A hereunder and is not in contravention of any state, county, district, city or town status, rule, regulation or other governmental provision; (v) during the Lease Term, the Equipment will be used by Lessee only for the purpose of performing one or more governmental or proprietary functions of Lessee and shall not be used in a trade or business of any other person or entity; (vi) Lessee shall complete and file on a timely basis, Internal Revenue Service Form 8038G or 8038GC, as appropriate, in the manner set forth in Section 149(e) of the Code; and (vii) during the term of this Lease, Lessee will take no action that will cause those amounts designated as interest in any Exhibit A to become includable in gross income of the recipient for purposes of federal income taxation under the Code, and Lessee will take, and will cause its officers, employees and agents to take, all affirmative action legally within its power to prevent such amounts from being includable in gross income for purposes of federal income taxation under the Code.

**8. APPROPRIATIONS AND ESSENTIAL USE.** Lessee believes that sufficient funds will be obtained to make all Rental Payments during the Lease Term. Lessee hereby covenants that it shall do all things necessary to obtain funds from which the Rental Payments will be made, including making provisions for such payments, to the extent necessary, in each budget submitted for the purpose of obtaining funding, using its bona fide best efforts to have such portion of the budget approved and exhausting all available

administrative reviews and appeals in the event such portion of the budget is not approved. It is Lessee's intent to make the Rental Payments for the full Lease Term if funds are legally available therefor and in that regard Lessee represents that: (a) the use of the Equipment is essential to its proper, efficient and economic functioning or to the services that it provides to its citizens; (b) Lessee has an immediate need for and expects to make immediate use of substantially all the Equipment, which need is not temporary or expected to diminish in the foreseeable future; and (c) the Equipment shall be used by the Lessee only for the purpose of performing one or more of its governmental or proprietary functions consistent with the permissible scope of its authority.

**9. NONAPPROPRIATION OF FUNDS.** In the event no funds or insufficient funds are appropriated and budgeted for the acquisition, retention or operations of an Equipment Group and funds are otherwise unavailable, by any means whatsoever, in any fiscal period in which the Rental Payments for the Equipment are due under this Lease, then Lessee shall, not less than sixty (60) days prior to the end of such applicable fiscal period, in writing, notify Lessor and any Assignee of such occurrence. The applicable Exhibit A under this Lease shall thereafter terminate and be rendered null and void on the last day of the fiscal period for which appropriations were made without penalty, liability or expense to the Lessee of any kind, except as to (i) the portions of the Rental Payments herein agreed upon for which funds shall have been appropriated and budgeted or are otherwise available and (ii) Lessee's other obligations and liabilities under this Lease relating to, accruing or arising prior to such termination. In the event of such termination, Lessee agrees to peaceably surrender possession of the Equipment Group to Lessor or its Assignee on the date of such termination, and shall ship the relevant Equipment to any location in the United States designated by Lessor, all at Lessee's expense. Lessor or its Assignee may exercise all available legal and equitable rights and remedies in retaking possession of such Equipment.

Notwithstanding the foregoing, Lessee agrees (a) that if an Exhibit A under this Lease is terminated in accordance with the preceding paragraph, Lessee shall not purchase, lease or rent like or similar equipment which performs the same functions as, or functions taking the place of, those performed by any of the affected Equipment, and shall not permit such functions to be performed by its own employees or by any agency or entity affiliated with or hired by Lessee for the balance of the fiscal period in which such termination occurs or the next succeeding fiscal period thereafter; and (b) that it shall not, during the Lease Term, give priority in the application of funds to any other functionally similar equipment.

**10. LIMITATION ON WARRANTIES. LESSEE REPRESENTS AND WARRANTS THAT IT HAS SELECTED BOTH THE EQUIPMENT AND THE VENDOR(S) FROM WHOM LESSOR IS TO PURCHASE THE EQUIPMENT IN RELIANCE HEREON. LESSEE ACKNOWLEDGES AND AGREES THAT THE EQUIPMENT IS OF A SIZE, DESIGN AND CAPACITY SELECTED BY LESSEE, AND THAT LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY,**

**DURABILITY, DESIGN, OPERATION, FITNESS FOR USE, OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT WHATSOEVER OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT THERETO AND LESSOR SHALL NOT BE OBLIGATED OR LIABLE FOR ACTUAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES OF OR TO LESSEE OR ANY OTHER PERSON OR ENTITY ARISING OUT OF OR IN CONNECTION WITH THE EQUIPMENT, INCLUDING BUT NOT LIMITED TO THE USE, PERFORMANCE OR MAINTENANCE OF THE EQUIPMENT.**

Lessor hereby assigns to Lessee during the Lease Term, to the extent permitted by law, all manufacturer's warranties, if any, that it may have, express or implied, with respect to the Equipment, and Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties at Lessee's expense. Lessor authorizes Lessee, to the extent permitted by law, to enforce in its own name any warranty, representation or other claim enforceable against the manufacturer. Lessor assumes no responsibility for shipment, delivery, installation or maintenance, and all claims of Lessee with respect thereto, whether for delay, damage or otherwise, shall be made against the manufacturer. Lessor, at its option, may provide in its purchase order that the manufacturer agrees that any of such claims may be made by Lessee directly against the manufacturer. The obligation of Lessee to pay the Rental Payments as defined in Section 4 shall not be abated, impaired or reduced by reason of any claims of Lessee with respect to the Equipment, including but not limited to its condition, quality, workmanship, delivery, shipment, defects or otherwise.

**11. TITLE; SECURITY AGREEMENT.** Title to the Equipment is deemed to be in Lessee so long as no Event of Default pursuant to Section 19 below has occurred and/or this Lease has not been terminated pursuant to the provisions of Section 9 above. Upon the earlier if (i) termination of this Lease in accordance with Section 9 above or (ii) the occurrence of an Event of Default by Lessee pursuant to Section 19 below, title shall revert immediately in and shall revert to Lessor free of any right, title or interest of Lessee unless Lessor elects otherwise. In order to secure all of its obligations hereunder, Lessee hereby (a) grants to Lessor a first and prior security interest in any and all rights, title and interest of Lessee in this Lease, the Equipment and in all additions, attachments, accessions, accessories, replacements, improvements and substitutions thereto, now or hereafter acquired, together with all rents, issues, income, profits and proceeds thereof, including insurance proceeds; (b) agrees that this Lease may be filed as a financing statement evidencing such security interest; and (c) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence and perfect such security interest. Lessee further agrees that the Uniform Commercial Code shall apply as between the parties hereto and assignees of Lessor.

**12. USE; REPAIRS.** Lessee shall (a) use the Equipment in a careful manner for the use contemplated by the manufacturer of the Equipment and to permit only qualified personnel to use the Equipment, notifying each such person that he or she is not an employee of Lessor nor under Lessor's

direction or control; (b) comply with all laws, ordinances, insurance policies and regulations relating to, and shall pay all costs, claims, damages, fees and charges arising out of, the possession, use or maintenance of the Equipment; (c) comply with any published instructions, procedures or specifications of the manufacturer of the Equipment and of the party selling the Equipment to Lessor; and (d) obtain any and all certificates, permits or licenses required or permitted by law with respect to the Equipment, subject to Lessor's instructions. Lessee agrees that the Equipment shall not be used in the transportation of radioactive materials, hazardous wastes, explosives, hazardous materials, gasses or liquids, unless Lessor has expressly approved the transportation of such material in writing. Lessee, at its sole cost and expense, shall maintain the Equipment according to the manufacturer's recommended guidelines or the equivalent and meet any and all recertification requirements and shall furnish proof of such maintenance, if requested by Lessor and shall furnish all needed servicing and parts, which parts shall become part of the Equipment. If the Equipment is such as is customarily covered by a maintenance agreement, Lessee shall furnish Lessor with a copy of a maintenance agreement with a party acceptable to Lessor.

**13. ALTERATIONS.** Lessee shall not make any alterations, additions or improvements to the Equipment without Lessor's prior written consent, and any permitted alteration of attachment which cannot be readily removed without adversely affecting the Equipment's originally intended function or value shall become part of the Equipment.

**14. LOCATION; INSPECTION.** Permanent base of the Equipment shall not be changed from the Equipment Location without Lessor's prior written consent, which consent shall not be unreasonably withheld. Lessor shall be entitled to enter upon the Equipment Location or elsewhere during reasonable business hours to inspect the Equipment or observe its use and operation.

**15. LIENS AND TAXES.** Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances except those created under this Lease. Lessee shall pay, when due, all charges and taxes (federal, state and local) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Equipment, excluding however, all taxes on or measured by Lessor's income. If Lessee fails to pay said charges and taxes when due, Lessor shall have the right, but shall not be obligated, to pay said charges and taxes. If Lessor pays any charges or taxes for which Lessee is responsible or liable under this Lease, Lessee shall, upon demand, reimburse Lessor therefor.

**16. RISK OF LOSS; DAMAGE; DESTRUCTION.** Lessee assumes all risk of loss of or damage to the Equipment from any cause whatsoever, and no such loss of or damage to the Equipment shall relieve Lessee of the obligation to make the Rental Payments or to perform any other obligation under this Lease. In the event of damage to any item of Equipment, Lessee shall immediately place the same in good repair (the proceeds of any insurance recovery shall be applied to the cost of such repair). If Lessor determines that any item of Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee, at the option of Lessor, shall: (a) replace the same with like equipment in comparable condition, age and repair; or (b) on the next Rental

Payment date pay to Lessor (i) all amounts owed by Lessee under this Lease, including the Rental Payment due on such date, and (ii) an amount not less than the balance of the Rental Payments then remaining unpaid hereunder. In the event that Lessee is obligated to make such payment with respect to less than all of the Equipment, Lessor shall provide Lessee with the pro rata amount of the Rental Payment and the balance of the Rental Payments then remaining unpaid hereunder, as applicable, to be made by Lessee with respect to the Equipment which has suffered the event of loss.

**17. INSURANCE.** Lessee agrees to keep the Equipment continuously insured against comprehensive and collision damage, and any other hazards Lessor may specify from time to time, by an insurance company and with a deductible approved by Lessor. The amount of insurance shall be the full insurable value of the Equipment or the full amount of all obligations arising under this Lease, whichever is greater. Lessee shall also obtain from an insurance company acceptable by Lessor liability insurance with combined single limits of at least \$1,000,000 per occurrence. If Lessee is using the Equipment to transport hazardous material, the insurance must include Environmental Restoration coverage in an amount not less than \$5,000,000 per occurrence. Each insurance policy must provide, in a form acceptable to Lessor, that Lessor is an additional insured and the loss payee under the policy. If the Equipment is lost or damaged, any and all insurance proceeds shall be paid to Lessor, and Lessor may apply them as it chooses either (i) to satisfy any obligation arising under this Lease (whether or not due or otherwise matured), or (ii) to repair the Equipment. Each policy must provide that Lessor's interest therein shall not be invalidated by any acts, omissions or neglect of anyone other than Lessor, and that the policy can be canceled only after written notice of intention to cancel has been delivered to Lessor at least thirty (30) days before the cancellation date. Lessee shall deliver to Lessor proof of insurance coverage acceptable to Lessor. If Lessee obtains insurance from a company Lessor has not approved or fails to obtain any insurance, Lessor may (but is not required to) obtain any insurance Lessor desires to protect its interests, and Lessee shall immediately reimburse Lessor for the cost thereof. Lessee shall be solely liable for any losses which occur because no insurance has been obtained or the coverage of the insurance which has been obtained is incomplete, even if Lessor has reviewed the insurance coverage. Notwithstanding the foregoing, with Lessor's prior written consent, Lessee may self-insure against any and all risks for which insurance is required.

**18. EVENTS OF DEFAULT.** Time is of the essence on this Agreement. The term "Event of Default," as used in this Lease, means the occurrence of any one or more of the following events: (a) Lessee fails to make any Rental Payment (or any other payment) as it becomes due in accordance with the terms of this Lease, and any such failure continues for five (5) days after the due date thereof; (b) Lessee fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder; (c) the discovery by Lessor that any statement, representation or warranty made by Lessee in this Lease or in any document ever delivered by Lessee pursuant hereto or in connection herewith is false, misleading or erroneous in any material respect; (d) Lessee becomes insolvent, is unable to pay its debts as they become due, makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or liquidator of Lessee or of all or a substantial part of its assets, a petition for relief is filed

by Lessee under federal bankruptcy, insolvency or similar laws, or a petition in a proceeding under any bankruptcy, insolvency or similar laws is filed against Lessee and is not dismissed within thirty (30) days thereafter; (e) Lessee suffers an adverse material change in its financial condition or operations from the date hereof and, as a result, Lessor deems itself insecure; or (f) Lessee shall be in default under any other agreement executed at any time with Lessor, its affiliates or Lessor's Assignee or under any other agreement or instrument by which it is bound.

**19. REMEDIES.** Upon the occurrence of an Event of Default, Lessor may, as its option, exercise any one or more of the following remedies: (a) by written notice to Lessee, declare an amount equal to all amounts then due under this Lease and all remaining Rental Payments which shall become due during the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable; (b) by written notice to Lessee, request Lessee to (and Lessee agrees that it shall), at Lessee's expense, promptly return the Equipment to Lessor in the manner set forth in Section 9 hereof, or Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same without liability to Lessor, its contractors or agents for such entry or for damage to property or otherwise; (c) sell or lease the Equipment or sublease it for the account of Lessee, holding Lessee liable for (i) all Rental Payments and other payments due to the effective date of such selling, leasing or subleasing, and (ii) for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the remaining amounts payable by the Lessee hereunder; and (d) exercise any other right, remedy or privilege which may be available to it under applicable law, including the right to (i) proceed by appropriate court action to enforce the terms of this Lease, (ii) recover damages for the breach of this Lease, and (iii) rescind this Lease as to any or all of the Equipment.

In addition, Lessee shall remain liable for all covenants and indemnities under this Lease and for all legal fees and other costs and expenses, including court costs, incurred by Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor.

**20. EARLY PURCHASE OPTION.** Lessee may, upon sixty (60) days prior written notice to Lessor, and provided Lessee shall have fully paid and performed all other obligations hereunder and provided no Event of Default has occurred and is continuing, pay to Lessor the applicable amount set forth on Exhibit A attached hereto, whereupon title to the Equipment shall become unconditionally vested in Lessee and Lessor shall transfer any and all of its right, title and interest in the Equipment Group to Lessee as-is, where-is, without warranty, express or implied, except that Lessor shall warrant to Lessee that the Equipment Group is free and clear of any liens created by Lessor.

**21. ASSIGNMENT.** Without Lessor's prior written consent, Lessee shall not (a) assign, transfer, pledge, hypothecate or grant any security interest in, or otherwise dispose of, this Lease or the Equipment or

any interest in this Lease or the Equipment or (b) sublet or lend the Equipment or permit the Equipment to be used by anyone other than Lessee or Lessee's employees.

Lessor, without the consent of Lessee, may assign all or any portion or portions of its right, title and interest in and to this Lease, the Equipment and any other documents executed with respect to this Lease, and/or grant or assign all or any portion or portions of its security interest in this Lease and the Equipment, in whole or in part to various assignees, their agents or trustees (each and any one hereinafter referred to as an "Assignee"). Any such Assignee shall have all of the assigned rights of Lessor under this Lease. Subject to the foregoing, this Lease shall inure to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. Any assignment or reassignment of any Lessor's right, title or interest in this Lease or the Equipment shall be effective upon receipt by Lessee of a duplicate original of the counterpart document by which the assignment or reassignment is made, disclosing the name and address of each such assignee and where applicable, to whom further payments hereunder should be made. During the Lease Term, Lessee covenants that it shall keep a complete and accurate record of all assignments in form necessary to comply with Section 149(a) of the Code and the regulations, proposed or existing, from time to time promulgated thereunder. Lessee agrees to acknowledge, in writing, any assignments if so requested.

**22. NATURE OF AGREEMENT.** Lessor and Lessee agree that it is their intention that the interest of Lessor in the Equipment is as a secured party and the interest of Lessee is as a debtor and that Lessor neither has nor shall have any equity in the Equipment. It is the agreement of Lessor and Lessee that the aggregate rental payments provided for hereunder constitute the purchase price of the Equipment together with interest on the unamortized amount thereof over the term of this Lease, that each monthly installment of rent constitutes principal and interest, in accordance with the schedule of rental payments set forth in Exhibit A of this Lease, which fully amortizes the purchase price of the Equipment, together with interest, over the term of this Lease, and that upon the due and punctual payment and performance of the installments of Rental Payments and other amounts and obligations under this Lease, title to the Equipment shall vest permanently in Lessee as provided in this Lease, free and clear of any lien or security of Lessor therein.

**23. AMENDMENTS.** This Lease may be amended or any of its terms modified for the purpose of adding Equipment, with the written consent of the parties hereto. In such event, additions to or additional exhibits attached hereto shall be executed by Lessee. All other amendments or modifications of the terms of this Lease (except for the addition of serial numbers of the Equipment as set forth in the Acceptance Certificate) must be accomplished by written consent of Lessee and Lessor, or its Assignee, if any; provided, however, that no amendment of this Lease shall operate to reduce or delay any Rental Payments to be made hereunder without the consent of Lessor, or its Assignee, at the time of such amendment.

**24. NOTICES.** All notices to be given under this Lease shall be made in writing and mailed by certified mail to the other party at its address set forth herein or at such address as the party may provide in

writing form time to time. Any such notice shall be deemed to have been received five (5) business days subsequent to mailing.

**25. SECTION HEADINGS.** All section headings contained herein are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

**26. GOVERNING LAW.** This lease shall be governed by the provisions hereof and by the laws of the state or other jurisdiction where the Equipment is located.

**27. ENTIRE AGREEMENT.** This Lease, together with the exhibits attached hereto and made a part hereof and other attachments hereto, and other documents or instruments executed by Lessee and Lessor in connection herewith, constitutes the entire agreement between the parties with respect to the lease of the equipment, and this Lease shall not be modified, amended, altered or changed except with the written consent of Lessee and Lessor.

**28. SEVERABILITY.** Any provision of this Lease found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remainder of this Lease.

**29. WAIVER.** The waiver by Lessor of any breach by Lessee of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach hereof.

**30. COUNTERPARTS.** This Lease may be executed in one or more counterparts, each of which may be deemed to be an original instrument, but all of which together shall constitute but one instrument, and only one set of rights, duties and obligations shall arise therefrom.

**LESSOR: PACCAR Financial Corp.**

**LESSEE: City of Torrance**

By: \_\_\_\_\_  
(Authorized Signature)

By: \_\_\_\_\_  
(Authorized Signature)

Bradley R. Johnson – Area Operations Manager  
(Printed Name and Title)

\_\_\_\_\_  
(Printed Name and Title)

PACCAR FINANCIAL

## EXHIBIT A to

## STATE AND MUNICIPAL MASTER LEASE/PURCHASE AGREEMENT

Date of Exhibit A - April 3, 2007

## DESCRIPTION OF EQUIPMENT

Quantity	Description of Leased Equipment (Make, Kind, Model No., Serial No., Any Other Pertinent Identification)
1	2007 Peterbilt 320 1NPZLZ0X57D717148 with attached Heil Durapack 33 Cubic Yard Automated Side Loader Refuse Body s/n 7S7302393 attached.

## LOCATION OF EQUIPMENT

ADDRESS:20500 Madrona Avenue COUNTY:Los Angeles CITY:Torrance STATE & ZIP: California 90503

## RENTAL PAYMENT AND AMORTIZATION SCHEDULES

LEASE TERM	RENTAL PERIODS	1st PAYMENT DATE	ADVANCE RENTAL PAYMENT	CAPITAL COST OF EQUIPMENT
4.5 Years	Semi-Annual	April 3, 2007	First Rental of <u>\$32,724.22</u> (includes \$2,493.99 CA sales tax), shall be delivered to Lessor at time of signing this Lease.	\$264,099.00

Rental Payment Number	Rental Payment (without sales tax)	Plus California Sales Tax @8.25%	Amount Credited to Interest	Amount Credited to Capital Cost	Early Purchase Option Price
0					\$264,099.00
1	\$30,230.23	\$2,493.99	\$0.00	\$30,230.23	\$233,868.77
2	\$30,230.23	\$2,493.99	\$7,355.17	\$22,875.06	\$210,993.71
3	\$30,230.23	\$2,493.99	\$6,635.75	\$23,594.48	\$187,399.23
4	\$30,230.23	\$2,493.99	\$5,893.71	\$24,336.52	\$163,062.71
5	\$30,230.23	\$2,493.99	\$5,128.32	\$25,101.91	\$137,960.80
6	\$30,230.23	\$2,493.99	\$4,338.87	\$25,891.36	\$112,069.44
7	\$30,230.23	\$2,493.99	\$3,524.58	\$26,705.65	\$85,363.79
8	\$30,230.23	\$2,493.99	\$2,684.69	\$27,545.54	\$57,818.25
9	\$30,230.23	\$2,493.99	\$1,818.38	\$28,411.85	\$29,406.40
10	\$30,230.23	\$2,493.99	\$924.83	\$29,305.40	\$101.00

## CERTIFICATION

Lessee hereby certifies that the description of the property set forth above constitutes an accurate account of the Equipment as referred to in the Lease.

Lessee:

By: \_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Printed Name and Title)

**EXHIBIT B to****STATE AND MUNICIPAL MASTER LEASE/PURCHASE AGREEMENT****DELIVERY AND ACCEPTANCE CERTIFICATE**

To: PACCAR Financial Corp.

Reference is made to the State and Municipal Master Lease/Purchase Agreement between the undersigned ("Lessee"), and PACCAR Financial Corp. ("Lessor"), dated **April 3, 2007** ("Lease") and to the Equipment as such term is defined therein. In connection therewith we are pleased to confirm to you the following:

1. All of the Equipment has been delivered to and received by the undersigned; that all installation or other work necessary prior to the use thereof has been completed; that said Equipment has been examined and/or tested and is in good operating order and condition and is in all respects satisfactory to the undersigned and as represented, and that said Equipment has been accepted by the undersigned and complies with all terms of the Lease. Consequently, you are hereby authorized to pay for the Equipment in accordance with the terms of any purchase orders for the same.
2. In the future, in the event the Equipment fails to perform as expected or represented we will continue to honor the Lease in all respects and continue to make our rental and other payments thereunder in the normal course of business and we will look solely to the vendor, distributor or manufacturer for recourse.
3. We acknowledge that Lessor is neither the vendor nor manufacturer or distributor of the Equipment and has no control, knowledge or familiarity with the condition, capacity, functioning or other characteristics of the Equipment.
4. The serial number for each item of Equipment which is set forth on Exhibit A to the Lease is correct.

This certificate shall not be considered to alter, construe, or amend the terms of the Lease.

Lessee: **City of Torrance**

By: \_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Printed Name and Title)

Date: April 3, 2007



# CITY OF TORRANCE

**OFFICE OF THE  
CITY ATTORNEY**

**CITY ATTORNEY**

JOHN L. FELLOWS III

**ASSISTANT CITY ATTORNEY**

RONALD T. POHL

**CHIEF DEPUTY CITY ATTORNEY**

ROBERT D. ACCIANI

**DEPUTY CITY ATTORNEYS**

HEATHER K. WHITHAM

PATRICK Q. SULLIVAN

TATIA Y. STRADER

DAVID L. CACERES

**LAW OFFICE ADMINISTRATOR**

LINDA A. SANTOS

March 27, 2007

RONALD T. POHL  
writer's direct dial:  
310-618-5809  
e-mail: rpohl@torrnet.com

**EXHIBIT C to**

**STATE AND MUNICIPAL MASTER LEASE/PURCHASE AGREEMENT**

**OPINION OF COUNSEL**

Re: State and Municipal Master Lease/Purchase Agreement dated March 20, 2007 ("Lease")  
between PACCAR Financial Corp. ("Lessor") and City of Torrance ("Lessee")

Gentlemen:

As counsel for Lessee, I have examined duly executed originals of the Lease and the Proceedings taken by the Lessee to authorize and execute said Lease. Based upon such examination as I have deemed necessary and appropriate, I am of the opinion that:

1. Lessee is a duly created and validly existing state or fully constituted political subdivision or agency of the State of California and has the power and authority to enter into the Lease and carry out the terms thereof.
2. [Intentionally Deleted]
3. The execution, delivery and performance by the Lessee of the Lease have been duly authorized by all necessary action on the part of the Lessee. All applicable bidding and budgeting requirements have been complied with. I have attached to my opinion copies of any resolutions adopted by the Lessee relating to the Lease.
4. The Lease is a governmental purpose obligation and constitutes a legal, valid and binding deferred payment obligation of the Lessee, enforceable in accordance with its terms and does not constitute a debt of Lessee under the laws of the State of California. In the event Lessor obtains judgment against Lessee for money damages in connection with the Lease, Lessee will be obligated to pay such judgment.

5. The Lease is in accordance with and does not violate the usury statutes of the State of California.
6. The Equipment Group described in the Exhibit A constitutes personal property and when subjected to use by Lessee will not become fixtures under applicable law.
7. No litigation is pending or to the best of my knowledge threatened in any court or other tribunal, state or federal, relating to the validity of the Lease.
8. The signature of the official of Lessee which appears on the Lease, the Exhibit A and the attached documents is true and genuine; I know, him/her to hold the office set forth below his/her name. Such official is duly authorized to execute the Lease and the attached documents. I have attached hereto a copy of such authorization.
9. The current fiscal period of Lessee ends on June 30, 2007; the next succeeding fiscal period of Lessee ends on June 30, 2008.

Very truly yours,

Ronald T. Pohl

Form **8038-G**  
(Rev. November 2000)  
Department of the Treasury  
Internal Revenue Service

**Information Return for Tax-Exempt Governmental Obligations**

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

OMB No. 1545-0720

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

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>City of Torrance</b>	2 Issuer's employer identification number		
3 Number and street (or P.O. box if mail is not delivered to street address) <b>20500 Madrona Ave</b>	Room/suite	4 Report number <b>3</b>	
5 City, town, or post office, state, and ZIP code <b>Torrance, CA 90503</b>		6 Date of issue <b>April 3, 2007</b>	
7 Name of issue <b>Rush Truck Center</b>		8 CUSIP number	
9 Name and title of officer or legal representative whom the IRS may call for more information <b>ChenPo Lin - Finance Manager</b>		10 Telephone number of officer or legal representative ( <b>562</b> ) <b>949-5451</b>	

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ►	18 <b>\$264,099.00</b>
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

<b>Part III Description of Obligations.</b> Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	10/03/2011	\$ 264,099.00	\$ 101.00	4.5 years	6.29 %

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>	
22 Proceeds used for accrued interest	22
23 Issue price of entire issue (enter amount from line 21, column (b))	23
24 Proceeds used for bond issuance costs (including underwriters' discount)	24
25 Proceeds used for credit enhancement	25
26 Proceeds allocated to reasonably required reserve or replacement fund	26
27 Proceeds used to currently refund prior issues	27
28 Proceeds used to advance refund prior issues	28
29 Total (add lines 24 through 28)	29
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	_____ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	_____ years
33 Enter the last date on which the refunded bonds will be called	_____
34 Enter the date(s) the refunded bonds were issued	►

<b>Part VI Miscellaneous</b>	
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a
b Enter the final maturity date of the guaranteed investment contract	37a
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer	and the date of the issue
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box	<input type="checkbox"/>
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>
40 If the issuer has identified a hedge, check box	<input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

**Sign Here**

Signature of issuer's authorized representative \_\_\_\_\_ Date \_\_\_\_\_ Type or print name and title \_\_\_\_\_

