RESOLUTION NO. 18 - 127

Road & Bridge Department

Lease Purchase of One John Deere Grader

WHEREAS, the five-year lease of one John Deere grader has expired and Bonner County Board of County Commissioners desires to lease purchase one John Deere 772GP Motor Grader ; and

WHEREAS, On September 4th, 2018 the Board of County Commissioners of Bonner County, Idaho approved a Municipal Lease Purchase Agreement with Columbia State Bank for one John Deere 772GP Motor Grader in the amount of $316,298.00 including interest and closing payment, for a period of five years, with interest at 3.74% per annum.

NOW, THEREFORE, BE IT RESOLVED Glen Baily, Chairman, is authorized to sign all bank documents on Columbia Bank Lease No.1831049.

FURTHER RESOLVED Glen Baily, Chairman of The Board of Commissioners of Bonner County, Idaho hereby certifies that the following Resolution was adopted at the meeting held on October 23rd, 2018.

ADOPTED as a Resolution of the Board of County Commissioners of Bonner County, Idaho upon a majority vote on the 23rd day of October, 2018.

BOARD OF BONNER COUNTY COMMISSIONERS

Glen Bailey

Glen Bailey, Chairman

Daniel McDonald, Commissioner

Jeff Connolly

Jeff Connolly, Commissioner

ATTEST: Michael W. Rosedale

By Clerk

Deputy Clerk

BONNER COUNTY ROAD & BRIDGE

1500 Highway 2, Suite 101 • Sandpoint, ID 83864 • Phone: 208-255.5681 Fax: 208-263.9084
email: roads@bonnercountyid.gov

Memorandum

ROAD & BRIDGE

Item #2

Date: October 23rd, 2018

To: Bonner County Commissioners

From: Steve Klatt, Director
Road & Bridge Department

Re: Approval of Columbia State Bank Municipal Lease Purchase Agreement No.1831049 for One John Deere 772GP Grader

The Bonner County Road & Bridge Department requests approval by the Board of County Commissioners of the Columbia State Bank Municipal Lease Purchase Agreement and Resolution 18-___ for the lease purchase of a 2018 John Deere 772G Motor Grader, Vin#1DW772GPVJF691341. The grader will be leased for a period of five years at 3.74% with a guaranteed buy back from Pape Machinery. The total lease purchase amount including interest is $316,298.00 after the closing payment of $22,023.26.

The lease purchase of the grader shall be funded under Account No. 002-9350, Capital – Lease Expenditures.

Distribution:	XX	Electronic Copies to BOCC Office
	XX	Original to Road and Bridge Department
	XX	Copy to Auditing
Review:	SK	Legal Review – Approved October 18th , 2018

A suggested motion would be: **I move to approve the Columbia State Bank Municipal Lease Purchase Agreement No.1831049 and Resolution 18-127 for the lease purchase of one 2018 John Deere 772GP Motor Grader for a period of five years at 3.74% with a guaranteed buy back from Pape Machinery for a total lease purchase amount including interest of $316,298 and to approve the Chairman of the Board, Glen Bailey of County Commissioners to sign the agreement administratively.**

Recommendation Acceptance: Yes ☒ No ☐ Glen Bailey Date: 23Oct'18

Commissioner Glen Bailey, Chairman

No. 183049

Columbia Bank

October 16, 2018

Bonner County, Idaho
Road and Bridge Department
1500 Hwy 2, Suite 101
Sandpoint, ID 83864

Attn: Steve Klatt
Road and Bridge Director

Re: ~~$316,000~~ 316,298 Lease Purchase of 2018 John Deere 772GP Motor Grader

Dear Steve:

Thank you for giving Columbia State Bank the opportunity to work with you. In connection with the lease I have attached the following for review and signature:

- Municipal Lease Purchase Agreement with Exhibits "A" thru "D" (Chairman Bailey to sign in 5 places and County Clerk / Deputy Clerk to sign (attest) in 1 place)
- Incumbency Certificate (Chairman Bailey as well as County Clerk /Deputy Clerk to sign this document);
- Attorney's Opinion Letter (to be signed and dated by County Attorney)
- Disbursement Request and Authorization (Chairman Bailey to sign)
- Agreement to Provide Insurance (Chairman Bailey to sign)
- Notice of Insurance Requirements (Chairman Bailey to sign)
- IRS Form 8038-G – Blank form (please return a **copy** of the **completed and signed** form. Bonner County must file the original with the IRS)
- Certified copy of County Commissioner's Meeting Minutes stating Chairman Bailey is to sign.

When returning the documents, please include the following check

- $22,023.26 payable to Columbia Bank for the first payment

Please return the original documents and copy of IRS Form 8038-G to:

Columbia Bank
414 Church Street, Suite 100,
Sandpoint, ID 83864

Please do not hesitate to contact me at (208) 265-3306, or on my cell at (208) 290-7465 if there are any questions.

Sincerely,

Hugh D. Gavin
Vice President and Commercial Banking Officer

Idaho- Small Issuer
Lease No. 1831049

MUNICIPAL EQUIPMENT LEASE PURCHASE AGREEMENT

THIS MUNICIPAL EQUIPMENT LEASE PURCHASE AGREEMENT (the "Lease") dated as of **October 23, 2018**, by and between **Bonner County, Idaho,** ("Lessee") and **COLUMBIA STATE BANK ("COLUMBIA STATE BANK").**

WITNESSETH

WHEREAS, with regard to the Equipment (hereinafter defined), COLUMBIA STATE BANK owns or can acquire such Equipment and Lessee desires to lease said Equipment through this Lease provided;

NOW, THEREFORE, in consideration of the covenants below, the parties agree to enter into the Lease, including all related Acceptance Certificates (as hereinafter defined), as amended from time to time as follows:

I. Assignment to COLUMBIA STATE BANK; Lease to Lessee; Term; Title; Security Interest; Tax Certifications

Section 1.1. Assignment to COLUMBIA STATE BANK. Lessee assigns to COLUMBIA STATE BANK all rights, if any, which Lessee has or may hereafter acquire in the Equipment, which is defined to be the personal property identified specifically in Exhibit "B" hereto (the "Installment Lease Payment Schedule") which Exhibit "B" sets forth various matters related to such Equipment and related purchase orders (the "Purchase Orders"), as issued to any supplier of Equipment (the "Vendor"), reserving to Lessee, however, so long as Lessee is entitled to possess the Equipment, all rights to property (other than the Equipment itself) and service which suppliers are obligated to provide during the term of this Lease. Lessee irrevocably constitutes COLUMBIA STATE BANK its true and lawful attorney with full power to demand, receive, and give acquittance for all moneys and claims with respect to Purchase Orders, to endorse any related instruments and to institute any proceedings which COLUMBIA STATE BANK deems advisable.

Section 1.2. Lease to Lessee. Subject to the terms hereof, COLUMBIA STATE BANK will lease each item of Equipment ("Item") to Lessee, and Lessee will lease each Item from COLUMBIA STATE BANK by making the installment lease payments (the "Installment Lease Payments") according to the schedule described in Exhibit "B" hereto. The cost of each Item, delivery and installation charges, COLUMBIA STATE BANK's legal expenses, origination fees, and all other related costs are included in the total cost of the Item as shown in Exhibit "B."

Section 1.3. Term. This Lease will be effective on the date hereof. With respect to any Item, except as may be otherwise specifically provided in this Lease, the "Initial Term" and the obligation to make the Installment Lease Payments provided for in this Lease and as set forth in the Installment Lease Payment Schedule hereto will begin on the execution of a certification in a form satisfactory to COLUMBIA STATE BANK and Lessee, substantially in the form attached as Exhibit "A" (the "Acceptance Certificate") hereto and will expire or terminate upon the first to occur of: (a) the end of the fiscal year of Lessee ("Fiscal Year"); (b) an optional payment date as specified in Exhibit "B" attached hereto ("Optional Payment Date") upon which date the Lessee may prepay the price of an Item (the "Option Price"); (c) an event of default, as defined in Article V below ("Event of Default"), and a termination of Lessee's possession of the Item; or (d) the later of the last installment payment date ("Installment Lease Payment Date") specified in Exhibit "B" or the date on which all Installment Lease Payments are paid.

At any time during the Initial Term and during any subsequent one-year "Renewal Term" thereafter, the Lessee may, in its sole discretion, renew this Lease for the next subsequent one-year Renewal Term by budgeting and appropriating funds to pay Installment Lease Payments for such Renewal Term and by giving "Notice of Intent to Renew" to COLUMBIA STATE BANK. The Notice of Intent to Renew shall be accompanied by a certified copy of the resolution or other official action of the Lessee adopting its budget which includes the expenditure of funds for Intallment Lease Payments for the Renewal Term. In the event COLUMBIA STATE BANK shall not have received the Notice of Intent to Renew thirty (30) days prior to the expiration of Lessee's Fiscal Year, COLUMBIA STATE BANK will notify the Lessee of such non-receipt, and the Lessee shall then have fifteen (15) calendar days to deliver to COLUMBIA STATE BANK its Notice of Intent to Renew.

If the Lessee does not deliver the Notice of Intent to Renew within fifteen (15) calendar days, or if the Lessee shall at any time notify COLUMBIA STATE BANK that the Lessee has elected to not renew this Lease for an additional Renewal Term, an "Event of Nonappropriation" shall be deemed to have occurred. Upon an Event of Nonappropriation, this Lease shall terminate on the last day of Lessee's Fiscal Year.

Subject to the preceding sections, this Lease may be renewed for a total of Five (5) consecutive one-year Renewal Terms commencing on the first day of Lessee's Fiscal Year and ending on the last day of such Fiscal Year.

Expiration or termination of this Lease will terminate all obligations of Lessee with respect to such Item (except to the extent moneys have theretofore been appropriated for such purpose). Upon termination due to an Event of Nonappropriation or an Event of Default, Lessee will transfer title to the Item to COLUMBIA STATE BANK and the Lessee's right to possession of the Equipment constituting, and all its interest in the Equipment, will termiante as of the last day of Lessee's Fiscal Year. Nothing in this Section or elsewhere in this Lease will be deemed in any way to obligate the Lessee beyond its current Fiscal Year.

Section 1.4. Title. Title to each Item will pass to Lessee upon the execution and delivery of an Acceptance Certificate subject to COLUMBIA STATE BANK's rights hereunder. Lessee will keep each Item free of all encumbrances except COLUMBIA STATE BANK's security interest.

Section 1.5. Security Interest. To secure payment of all amounts due under this Lease and to secure the performance and observance by Lessee of all the covenants expressed or implied herein, Lessee does hereby grant a security interest in the Equipment to COLUMBIA STATE BANK in accordance with the Uniform Commercial Code of Idaho. Upon payment in full of all Installment Lease Payments and other obligations hereunder, COLUMBIA STATE BANK shall release its security interest in the Equipment.

Section 1.6. Tax Certification and Indemnification.

(a) Lessee agrees and certifies as follows:

(1) Moneys on deposit in any fund or account related to this Lease will not be used in a way that will cause the interest component of any Installment Lease Payment to be included in COLUMBIA STATE BANK's income for federal tax purposes;

(2) No use will be made of proceeds of the Lease, or any funds or accounts of Lessee which may be deemed to be such proceeds, which would cause the Lease to be an "arbitrage bond" under Section 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the "Code"). Lessee will comply with the requirements of Section 148 of the Code;

(3) Lessee covenants for the benefit of COLUMBIA STATE BANK and any subsequent owner of COLUMBIA STATE BANK's rights hereunder that it will not take any action or omit to take any action with respect to the Lease, the proceeds thereof, any other funds of the Lessee or the property financed with the Lease if such action or omission (i) would cause the interest component of the Installment Lease Payments made hereunder to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (ii) would cause such interest component to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income. The covenant in this subsection shall remain in full force and effect notwithstanding the payment in full or defeasance of the Lease until the date on which all obligations of the Lessee in fulfilling the above covenant under the Code have been met;

(4) Lessee will file Internal Revenue Service form 8038G or 8038GC, whichever is applicable, in the manner and time required to meet the requirements of Section 149(e) of the Code, and provide to COLUMBIA STATE BANK evidence of the Lessee's filing of such form and any other necessary documents;

(5) The Lease will not at any time be a "private activity bond" (as defined in Section 141 of the Code);

(6) The reasonably anticipated amount of tax exempt obligations as described in Section 103(a) of the Code ("Tax Exempt Obligation") (including qualified 501(c)(3) bonds and excluding other private activity bonds) which will be issued by Lessee and its subordinate entities during any calendar year in which an Acceptance Certificate is delivered will not exceed $10,000,000. Not more than $10,000,000 of obligations issued by Lessee during any calendar year in which an Acceptance Certificate is delivered will be designated by Lessee for purposes of Section 265(b)(3) of the Code. Lessee and its subordinate entities have not issued any Tax-Exempt Obligations during this calendar year other than this Lease and the obligations set forth on Exhibit "C" attached hereto. This Lease has been entered into on the basis that COLUMBIA STATE BANK will be entitled to the exception contained in Section 265(b)(3) of the Code (the "Exception") with respect to the deduction of interest expense allocable to tax exempt interest. If, as a result of the falsity or breach of Lessee's representations or agreements in this Section 1.6, COLUMBIA STATE BANK will not have or will lose the right to claim the Exception, upon thirty (30) days' written notice to Lessee by COLUMBIA STATE BANK, Lessee shall, to the extent permitted by the Lease

and by applicable law, pay COLUMBIA STATE BANK an amount which, in the reasonable opinion of COLUMBIA STATE BANK and after deduction of all taxes required to be paid by COLUMBIA STATE BANK with respect to receipt of such amount, will cause COLUMBIA STATE BANK'S net after-tax return over the term of this Lease to equal the net after-tax return that would have been available if COLUMBIA STATE BANK had been entitled to the Exception.

(b) Lessee is exempt from the arbitrage rebate requirements of Section 148(f) of the Code because:

(1) Under Section 148(f)(4)(D) of the Code (i) it is a political subdivision of the State of Idaho with general taxing powers and is not a subordinate entity of any other political subdivision, (ii) this will not at any time be a "private activity bond" (as defined in Section 141 of the Code), (iii) 95% or more of the net proceeds of this Lease will be used for local governmental activities of the Lessee within the meaning of Section 148(f)(4)(D)(i)(Ill) of the Code, (iv) Lessee has not issued any Tax Exempt Obligations in this calendar year other than this Lease and those referenced in Section 1.6(a) above, (v) the aggregate face amount of all Tax Exempt Obligations (other than private activity bonds), including this Lease, which will be issued by Lessee and its subordinate entities during the calendar year in which an Item is delivered will not exceed $5,000,000.

(2) Lessee is entitled to the exception under Section 148 (f)(4)(B)(1) of the Code because the gross proceeds (as defined in Section 148(f)(6)(B) of the Code of this Lease (including costs of issuance) will be expended for and allocated to the governmental purposes of this Lease within six months after the date hereof.

(c) To the extent Lessee fails to qualify for either of the above rebate exceptions due to its actions suring the term of this Lease, it will (i) timely pay to the United States any payments necessary to preserve the tax-exempt status of the interest component of the Installment Lease Payments (provided, that this section is not intended to create a debt for purposes of the Constitution of the State of Idaho) and (ii) take a such actions that may be necessary to comply with the rebate requirements of Section 148(f) of the Code.

(d) COLUMBIA STATE BANK, on behalf of Lessee, will pay the proceeds of this Lease to the Vendor of the Equipment no later than five (5) business days after execution of the Acceptance Certificate. Lessee therefore reasonably expects that such proceeds will be spent within the three-year temporary period provided in the Treasury Regulations issued or proposed under the Code including amendments and successor provisions thereto (the "Regulations").

(e) Lessee has investigated the facts, estimates and circumstances in existence on the date hereof, together with Lessee's exceptions as to future events. These are true and are complete in all material respects, and on the basis of such, it is not expected that the use of the sale proceeds hereof or any other moneys or property will be used in a manner which will cause this Lease to be an arbitrage bond within the meaning of Section 148 of the Code. Such expectations are reasonable, and there are no other facts, estimates or circumstances that would materially change such expectations.

(f) None of the proceeds hereof will be used, directly or indirectly, in any trade or business carried on by any person other than a Governmental Unit, which is defined to include any state of the United States and any political subdivision, agency, instrumentality or entity acting by or on behalf of a state, but not including the United States or any agency or instrumentality thereof, no more than 10% of the Equipment will be used directly or indirectly in a trade or business carried on by any such person, and no more than 5% of the Equipment will be used directly or indirectly in a trade or business carried on by any such person which is not related to any government use of such Equipment.

(g) The payment of the Installment Lease Payments will not be directly or indirectly (i) secured by any interest in property used or to be used for a private business use or payments in respect thereof, or (ii) derived from payments in respect of property or borrowed money used or to be used for private business.

(h) None of the proceeds hereof will be used, directly or indirectly, to make or finance loans to persons other than a Governmental Unit.

(i) No person, other than Lessee or another Governmental Unit, will use the Equipment on any basis other than the same basis as the general public; and no person other than a Governmental Unit will be a user of the Equipment as a result of (i) ownership, or (ii) actual or beneficial use pursuant to a lease or a management or incentive payment contract, or (iii) any other similar arrangement.

(j) Within fifteen (15) days preceding the date hereof, Lessee has not sold (nor will it deliver within fifteen (15) days after the date hereof) any other obligations pursuant to the same plan of financing, which will be paid from substantially the same source of funds (or which will have substantially the same claim to be paid from substantially the same source of funds) without regard to guarantees from unrelated parties as this Lease or which will be paid directly or indirectly from the proceeds hereof.

(k) No Item is expected to be sold or otherwise disposed of prior to the expiration hereof.

(1) The certifications and representations made herein are intended, and may be relied upon, as a certification described in Section 1.148-2(b)(2) of the Regulations.

(m) COLUMBIA STATE BANK represents as follows:

(1) The interest rate on this Lease is not unreasonably high.

(2) COLUMBIA STATE BANK enters into this Lease for investment purposes, however, COLUMBIA STATE BANK may at any time, without notice, grant a security interest in, transfer or assign this Lease, items or rights and remedies as COLUMBIA STATE BANK to any party, with such party assuming all, part, or none of COLUMBIA STATE BANK's obligations. Lessee shall not assert against such party any defense, counterclaim, or offset Lessee may have against COLUMBIA STATE BANK. Lessee acknowledges that any such grant, transfer or assignment would not materially change Lessee's duties, risks, or interests under the Lease.

(n) Due to its actions during the term of the Lease, should the payments hereunder be deemed by the State of Idaho or the federal government not to be exempt from income taxation, Lessee agrees that it will pay as additional sums hereunder sufficient funds to adjust the interest to be paid hereunder to an amount equivalent to the income contemplated hereunder as a tax exempt transaction. Said adjustment will be retroactive and apply to any installments already paid by Lessee to COLUMBIA STATE BANK to the extent that any ruling by any such taxing authority requires the payment of additional tax upon payments already received by COLUMBIA STATE BANK.

II. Payment of Installment Lease Payments; Warranty Disclaimers

Section 2.1. Agreement to Pay. During the Initial Term and any Renewal Term, Lessee will pay COLUMBIA STATE BANK from funds appropriated therefor and any other moneys legally available for that purpose at the place set forth in Exhibit "B" or such other place as COLUMBIA STATE BANK may designate the Installment Lease Payments, in such amounts, including principal and interest, and on such date as called for in each Supplement hereto along with the reasonable expenses of COLUMBIA STATE BANK related hereto, except expenses included in the cost of the Equipment pursuant to Section 1.2, and any other payment required under the Lease. If any amount payable hereunder is not paid within fifteen (15) days after it is due, Lessee will pay to COLUMBIA STATE BANK an amount equal to two percent (2%) of such overdue payment plus interest on such overdue payment at the rate of twelve percent (12%) per annum as a supplemental payment. Lessee's payment obligation hereunder is not subject to any defense, right of setoff or counterclaim arising out of any breach by COLUMBIA STATE BANK, hereunder or otherwise, or out of any indebtedness or any liability at any time owing by COLUMBIA STATE BANK. COLUMBIA STATE BANK HAS NO RIGHT TO COMPEL LESSEE TO LEVY OR COLLECT TAXES TO MAKE ANY PAYMENTS REQUIRED HEREUNDER, OR TO EXPEND FUNDS BEYOND THE AMOUNT PROVIDED FOR IN THE THEN CURRENT FISCAL YEAR OF LESSEE.

Section 2.2 Warranties. COLUMBIA STATE BANK MAKES NO EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING THE EXTENT OF OR ENFORCEABILITY OF ANY CLAIM, WARRANTY, AGREEMENT OR REPRESENTATION ASSIGNED TO LESSEE UNDER ARTICLE III BELOW. NO DEFECT OR UNFITNESS OF ANY ITEM WILL RELIEVE LESSEE OF ITS OBLIGATIONS HEREUNDER. COLUMBIA STATE BANK MAKES NO REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT, OR ITS DELIVERY, INSTALLATION, DESIGN, PERFORMANCE, SPECIFICATIONS, CONDITION, DURABILITY, SUITABILITY, FITNESS FOR USE OR MERCHANTABILITY. AS BETWEEN COLUMBIA STATE BANK AND LESSEE, ALL EQUIPMENT IS ACCEPTED AND PURCHASED HEREUNDER BY LESSEE "AS IS, " "WHERE-IS, " AND "WITH ALL FAULTS," AND COLUMBIA STATE BANK WILL NOT BE RESPONSIBLE FOR ANY PATENT OR LATENT DEFECTS THEREIN, OR ANY DAMAGES, WHETHER ACTUAL, SPECIAL, CONSEQUENTIAL OR INCIDENTAL, ARISING THEREFROM. Under no circumstances will COLUMBIA STATE BANK be liable for actual, special. incidental, consequential or other damages of or to Lessee or any other entity arising out of or in connection with the maintenance, use or performance of the Equipment.

Section 2.3. Prepayment. If no Event of Default or event which with notice or lapse of time, could become an Event of Default, exists, upon thirty (30) days prior written notice Lessee may prepay the purchase price of all, but not less than all, Items on any Optional Payment Date by paying the applicable Option Price in Exhibit "B" plus the Installment Lease Payment due on such date, whereupon COLUMBIA STATE BANK will release its security interest in the Items.

Section 2.4. Present Intent. The Lessee, by entering into this Lease, acknowledges its current intention to make all payments due during its current Fiscal Year on the dates such payments are then due, but does not commit to a legal or other obligation to make such payments or to incur any liability beyond the revenue and income provided during its then current Fiscal Year.

III. Duties of COLUMBIA STATE BANK.

So long as no Event of Default or Event of Nonappropriation has occurred, COLUMBIA STATE BANK assigns to Lessee all of COLUMBIA STATE BANK's rights to suppliers' and manufacturers' warranties and service agreements with respect to the Equipment, and COLUMBIA STATE BANK agrees to cooperate with Lessee, at Lessee's expense, in asserting such rights, provided that during the term of this Lease Lessee shall, to the extent permitted by law, indemnify and hold harmless COLUMBIA STATE BANK from and against all related claims, costs, damages, losses and liabilities. If no Event of Default or Event of Nonappropriation has occurred, Lessee's use of the Equipment will not be interrupted by COLUMBIA STATE BANK or anyone claiming solely through or under COLUMBIA STATE BANK.

IV. Duties of Lessee.

Section 4.1. Use and Maintenance of Equipment. Lessee agrees that the Equipment will be used solely in the conduct of its business at its principal place of business unless COLUMBIA STATE BANK is otherwise notified in writing of an alternate location and COLUMBIA STATE BANK first agrees to such alternate location in writing. Lessee will maintain the Equipment in good repair and working order, reasonable wear and tear excepted, but in any event, to the same extent that Lessee would, in the prudent management of its properties, maintain comparable equipment. Lessee will comply with all laws, rules and regulations with respect to the use, maintenance and operation of the Equipment, and if any additional improvement to or replacement of any Item is required, Lessee will do so at its own expense. Lessee may add parts or accessories to any Item if it does not impair the value, utility or warranties of such Item and is readily removable without causing material damage.

Section 4.2. Sale and Encumbrance. During the term of this Lease, Lessee will not sell, lease or encumber the Equipment and will continue to own and use it for the public purposes of Lessee.

Section 4.3. Inspection and Tags. At any time during Lessee's normal working hours, COLUMBIA STATE BANK may inspect the Equipment where it is located and inspect all related records of Lessee. COLUMBIA STATE BANK may attach tags to any Item showing that COLUMBIA STATE BANK retains a security interest in it. Lessee will not allow any other name to be placed on any Item that might be interpreted as a claim to a lien thereon.

Section 4.4. Insurance; Damage or Destruction. During the term of this Lease, Lessee will provide public liability insurance and physical damage and loss acceptable to COLUMBIA STATE BANK with respect to the Equipment in amounts not less than those specified in Exhibit "B" with either a responsible insurance company authorized to do business in the State of Idaho or an actuarially sound self-insurance program. Each policy will name COLUMBIA STATE BANK as an additional insured and loss payee and provide that it may be altered or canceled only after thirty (30) days' written notice to COLUMBIA STATE BANK. Lessee will deliver to COLUMBIA STATE BANK on demand evidence satisfactory to COLUMBIA STATE BANK showing the existence of such insurance, and will deliver to COLUMBIA STATE BANK evidence satisfactory to COLUMBIA STATE BANK showing renewal or replacement of such insurance within thirty (30) days prior to expiration or cancellation. If Lessee fails to maintain such insurance, COLUMBIA STATE BANK may obtain such insurance as COLUMBIA STATE BANK deems necessary, and Lessee will reimburse COLUMBIA STATE BANK for all premiums therefor together with interest at twelve percent (12%) per annum. Lessee will immediately notify COLUMBIA STATE BANK of any loss for which an insurance claim may be made, and shall, at Lessee's option: (a) Exercise its option to prepay under section 2.3; or (b) Place any damaged Items in as good a condition as before such damage, and replace any missing Items with similar equipment of at least equal value. Any such replacement will be subject to this Lease, and Lessee grants a security interest therein free of all liens.

Section 4.5. Taxes. During the term of this Lease, Lessee shall, to the extent permitted by law, pay when due and indemnify COLUMBIA STATE BANK against all taxes and charges of any nature imposed against COLUMBIA STATE BANK, Lessee or the Equipment with respect to the Equipment or its purchase, ownership, delivery, leasing, possession, use, or disposition, or upon the rentals or earnings therefrom, or with respect to the Lease, unless Lessee is contesting such in good faith and by appropriate proceedings. If any report or return is required with respect to any obligation of Lessee under this Section, Lessee will notify COLUMBIA STATE BANK and make such report or return, in a manner satisfactory to COLUMBIA STATE BANK.

Section 4.6. Indemnification. To the extent permitted by law, during the term of this Lease, Lessee will indemnify, protect, and hold harmless COLUMBIA STATE BANK or assignee or transferee of COLUMBIA STATE BANK and their

respective agents and servants from and against all claims, causes of action, damages, liability (including strict liability in tort), costs, fees, or expenses (including attorney's fees) incurred in any manner by or for the account of any of them relating to the Equipment or any part thereof including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or condition, thereof (whether defects are latent or discoverable by COLUMBIA STATE BANK or by Lessee) except such as may result from the negligence or willful misconduct of COLUMBIA STATE BANK, or assignee or transferee thereof and their respective agents and servants. This Section will be effective from the date the first Item of Equipment is ordered. Lessee agrees to give COLUMBIA STATE BANK prompt notice of any claims or liability hereby indemnified against. COLUMBIA STATE BANK agrees to cooperate with Lessee in any defense or other action which Lessee is by this Article obligated to undertake.

Section 4.7. Mortgages, Liens, Etc. Lessee will not directly or indirectly create, incur, assume, or permit the existence of any mortgage, security interest, pledge, lien, charge, encumbrance, or claim on or with respect to the Equipment, title thereto or any interest therein except the respective rights of COLUMBIA STATE BANK and Lessee as herein provided and liens for taxes either not yet due or being contested in good faith and by appropriate proceedings. Lessee will promptly, at its own expense, take such actions as may be necessary duly to discharge any such mortgage, security interest, pledge, lien, charge, encumbrance, or claim not specifically excepted above.

Section 4.8. Financial Records. During the term of the Lease, as soon as available, but in no event later than 270 days after the end of each fiscal year, Lessee will furnish COLUMBIA STATE BANK with Financial Statements for the year ended, audited by an independent certified public accountant satisfactory to COLUMBIA STATE BANK in a form satisfactory to COLUMBIA STATE BANK.

V. Section5.1. Events of Default and Remedies

Section 5.1. Events of Default. The following will be Events of Default:
(a) Lessee's failure to pay any payment hereunder fifteen (15) days after it is due; (b) Lessee's failure to maintain the insurance required under section 4.4; (c) Lessee's failure to perform any covenant, condition or agreement under the Lease within 30 days after written notice requesting that such failure be remedied; (d) Any representation or warranty made by Lessee to COLUMBIA STATE BANK being materially false or misleading when made; (e) Lessee will become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or a receiver will be appointed for Lessee for a substantial part of its property without its consent and will not be dismissed within a period of sixty (60) days, or bankruptcy, reorganization or insolvency proceedings will be instituted by or against Lessee and, if instituted against Lessee, will not be dismissed for a period of sixty (60) days; and, (f) Lessee defaults in any other material agreement to which Lessee is a party with third parties resulting in a right by such third parties to accelerate the maturity of Lessee's indebtedness under such other agreement, and such indebtedness materially impairs Lessee's ability to pay its obligations to COLUMBIA STATE BANK under this Lease.

Section 5.2. Remedies. Whenever an Event of Default has occurred during the term of this Lease, COLUMBIA STATE BANK may exercise any one or more of the following remedies: (a) By written notice to Lessee, declare all amounts coming due during the current Fiscal Year to be immediately due and Payable; (b) Take possession of the Equipment, sell or lease it in a commercially reasonable manner and retain the proceeds, holding Lessee liable for an amount equal to (i) all amounts payable hereunder to the end of the then current Fiscal Year less (ii) the proceeds of such sale or lease, however, if the proceeds of such sale or lease exceed the amount required to compensate COLUMBIA STATE BANK for all payments contemplated under this Lease plus any expenses related to said sale or lease, any costs to repair or replace the Equipment and any other expenses related thereto, then such excess proceeds will be paid to Lessee; and, (c) Take any action at law or in equity necessary or desirable to enforce its rights hereunder or as holder of a security interest in the Equipment.

Section 5.3. No Remedy Exclusive; Repossession. (a) No remedy herein is exclusive, and every remedy is in addition to every other remedy at law or inequity. No delay in exercising or failure to exercise any right or power will be a waiver thereof. No notice will be necessary to entitle COLUMBIA STATE BANK to exercise any remedy, except as required in this Article. Except Lessee's right to effectuate an Event of Nonappropration, to the extent permitted by law, Lessee waives any requirements of law, now or hereafter in effect, which might limit or modify COLUMBIA STATE BANK's remedies; (b) If COLUMBIA STATE BANK is entitled to repossess the Equipment, Lessee shall, if COLUMBIA STATE BANK requests, make it available at a reasonable place designated by COLUMBIA STATE BANK and execute and deliver such documents as may be required to restore clear title to COLUMBIA STATE BANK. Lessee will bear all costs of removal and delivery of the Equipment and repairs to Lessee's property.

VI. Representations, Covenants and Warranties of Lessee.

Section 6.1. Representations, Covenants and Warranties of Lessee. (a) Lessee represents, covenants and warrants for the benefit of COLUMBIA STATE BANK that Lessee is a political subdivision of the State of Idaho with statutory authority to enter into this Lease, and has been duly authorized to execute, deliver and carry out its obligations under this Lease and will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body politic and corporate. Lessee is not subject to any legal or contractual provision which restricts or prevents it from entering into or performing under this Lease, except laws affecting creditors' rights generally. There is no known pending or threatened action, proceeding, or investigation affecting Lessee, nor to the best knowledge of Lessee is there any basis therefor, wherein an unfavorable result would adversely affect this Lease; (b) The Equipment is and will remain personal property, and not fixtures, unless COLUMBIA STATE BANK otherwise consents in writing, and (c) Lessee will file all necessary statements under Section 149(e)(2) of the Code to allow the interest payable under this Lease to be excluded from COLUMBIA STATE BANK's income that is subject to federal and State of Idaho income tax and will furnish to seller evidence of such filing, or at COLUMBIA STATE BANK's option, it will notify Lessee of its intent to file necessary tax filings on behalf of Lessee after which Lessee will provide COLUMBIA STATE BANK all needed cooperation to facilitate such tax filings. The execution and performance of this Lease will not violate any judgment, order, law or regulation, constitute a default under any instrument binding upon Lessee, or create any encumbrance upon any assets of Lessee or the Equipment, except as herein provided. Lessee has never non-appropriated or defaulted under any of its obligations under any lease-purchase contract, bond, or other debt obligation. Lessee has been duly authorized to execute and deliver this Lease under the terms and provisions of its duly adopted Resolution and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the due authorization of this Lease. No approval, consent, or withholding of objection is required from any governmental authority other than Lessee with respect to the entering into or performance by Lessee of this Lease. The balance sheet of Lessee for its most recent fiscal year and the related earnings statement of Lessee for such fiscal year have been furnished to COLUMBIA STATE BANK and fairly present: Lessee's financial condition as of such date and the result of it's operations for such year in accordance with generally accepted accounting principles and government accounting standards board principles consistently applied, and since such date there has been no material adverse change in such conditions or operations.

Section 6.2. Opinion of Counsel.. If COLUMBIA STATE BANK requests, Lessee will deliver to COLUMBIA STATE BANK an opinion of Lessee's legal counsel on and as of the date of this Lease with respect to the matters in Section 6.1 and such other matters as COLUMBIA STATE BANK reasonably requests. In addition, Lessee agrees to provide COLUMBIA STATE BANK with any other documents reasonably requested by COLUMBIA STATE BANK prior to COLUMBIA STATE BANK's funding of this Lease.

VII. Assignment.

COLUMBIA STATE BANK may assign and grant a security interest in any of its rights or interests in the Lease or the Equipment. Lessee will not assign or grant a security interest in the Lease or the Equipment in whole or in part.

VIII.COLUMBIA STATE BANK's Rights to Perform for Lessee. (a) Subject to the limitations set forth within this Lease, if Lessee fails to perform or comply with any of its agreements contained herein, COLUMBIA STATE BANK may, but will not be required to, make any payment or perform or comply with any covenant or agreement contained herein, and all reasonable expenses of COLUMBIA STATE BANK incurred in connection therewith will be payable by Lessee upon demand together with interest at the rate of twelve percent (12%) per annum from the date of payment to the date of reimbursement; (b) Lessee will promptly and duly execute and deliver to COLUMBIA STATE BANK such further documents or instruments of further assurance and take such further action as COLUMBIA STATE BANK may from time to time reasonably request in order to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of COLUMBIA STATE BANK hereunder, if requested, at the expense of Lessee; or (c) authorize COLUMBIA STATE BANK to file financing statements describing the Equipment.

IX. Miscellaneous. The Lease will be governed by the laws of the State of Idaho. Notice to either party will be sufficient if sent by first class United States Mail to the address shown below the party's signature. If a provision of the Lease is invalid or unenforceable, the remainder may be enforced to the fullest extent permitted by law. This Lease and each Acceptance Certificate may be executed in multiple original counterparts. The Lease will bind and inure to the benefit of the parties' permitted successors and assigns. The headings herein will not in any way affect the Lease. The Lease is the entire agreement of the parties and supersedes all prior agreements and understandings, both written and oral, with respect to the subject matter hereof. The Lease may not be amended, changed or modified except by written agreement executed by both parties hereto. Idaho Code §9-505 provides that a promise or commitment to lend money or to grant or extend credit in an original principal amount of Fifty Thousand Dollars ($50,000) or more made by a person or entity engaged in the business of lending money or extending credit, must be in writing to be enforceable.

IN WITNESS WHEREOF, Lessee and COLUMBIA STATE BANK have executed this Lease as of the date first above written.

Bonner County, Idaho, "Lessee" (S E A L)

By: Glen Bailey

Name: Glen Bailey

Title: Chairman

Attested and Countersigned:

Printed Name: Jessi Webster
Title: Deputy Clerk

x Jessi Webster
Signature

Notice address:
1500 Hwy 2, Ste 304
Sandpoint, ID 83864

COLUMBIA STATE BANK ("COLUMBIA STATE BANK")

By: Hugh D. Gavin

Hugh D. Gavin, Vice President and Commercial Banking Officer

Notice address:
COLUMBIA STATE BANK
25977 SW Canyon Creek Rd., Suite J
Wilsonville, OR 97070

IN WITNESS WHEREOF, Lessee and COLUMBIA STATE BANK have executed this Lease as of the date first above written.

Bonner County, Idaho, "Lessee"

(S E A L)

By: Glen Bailey

Name: Glen Bailey

Title: Chairman

Attested and Countersigned:

Printed Name: Jessi Webster

Title: Deputy Clerk

x Jessi Webster
Signature

Notice address:
1500 Hwy 2, Ste 304
Sandpoint, ID 83864

COLUMBIA STATE BANK ("COLUMBIA STATE BANK")

By: Hugh D. Gavin

Hugh D. Gavin, Vice President and Commercial Banking Officer

Notice address:
COLUMBIA STATE BANK
25977 SW Canyon Creek Rd., Suite J
Wilsonville, OR 97070

EXHIBIT "A"

ACCEPTANCE CERTIFICATE

The undersigned Lessee, having entered into a Municipal Equipment Lease Purchase Agreement dated **October 23, 2018**, (the "Lease"), with COLUMBIA STATE BANK ("COLUMBIA STATE BANK") does hereby certify to COLUMBIA STATE BANK that:

1. The equipment listed in the attached Exhibit B (the "Equipment") is of a size, design, capacity, and manufacture selected by Lessee, is in good condition and has been satisfactorily delivered and installed. Lessee hereby expressly assumes all responsibilities in connection with the delivery and installation thereof;

2. Lessee is satisfied that the Equipment is suitable for Lessee's purposes;

3. Unless otherwise indicated on Exhibit B, the Equipment is new and unused on the date hereof except for routine testing and inspection;

4. Upon payment of the purchase price to the Vendors indicated in Exhibit B, there will be no liens, security interests, or encumbrances against the Equipment except the interest of COLUMBIA STATE BANK under the Lease;

5. The Equipment is personal property and will not become either real property, fixtures or inventory;

6. Lessee authorizes COLUMBIA STATE BANK to pay the Vendors indicated in Exhibit B for the Equipment;

7. The representations and warranties of Lessee contained in the Agreement are true and correct in all material respects as of the date of this certificate; and

8. There exists no Event of Default or condition which, but for the passing of time or giving of notice or both, would constitute an event of Default under the Lease.

DATED this 23rd day of October, 2018.

Bonner County, Idaho, "Lessee"

By: Glen Bailey

Name: Glen Bailey

Title: Chairman

EXHIBIT "B"
INSTALLMENT LEASE PAYMENT SCHEDULE

1. ITEMS OF EQUIPMENT COVERED BY THIS LEASE:

Quantity:	1
Vendor:	Pape Machinery, Inc.
Vendor Address:	W 6210 Rowand Road Spokane, WA 99224
Vendor Telephone No.:	(509) 838-5252
Item Description:	John Deere 772G Motor Grader with 6WD
Serial No.:	1DW772GPVJF691341
Invoice Purchase Price:	$316,298.00

Total of all Invoice Purchase Prices $316,298.00
Equipment Location: 1500 Highway 2, Ste 101, Sandpoint, ID 83864

2. PAYMENT AND AMORTIZATION SCHEDULE:

Equipment Cost	$316,298.00
Equals Amount Financed	$316,298.00

During the term of the Lease, Lessee will pay the amount financed in five (5) equal payments of $22,023.26. Lessee's first payment is due October 24, 2018. Assuming renewal of the Lease annually, all subsequent payments are due on October 23 of each year after that.

Assuming the Lease is renewed pursuant to Section 1.3, Lessee's final payment will be due on October 23, 2023, and will be for all remaining principal and accrued interest not yet paid.

3. THIS OBLIGATION EARNS INTEREST AT AN **ANNUAL PERCENTAGE RATE** OF **3.74%** The payments herein will be composed of principal and interest. In the event of changes in the Annual Percentage Rate due to events as outlined in Section 1.6 of this Lease (Tax Indemnification), this payment and amortization schedule will be modified to seller's equivalent taxable annual percentage rate in order to preserve Seller's anticipated after tax yield.

4. The minimum amount of insurance to be provided by Lessee with respect hereto is as follows:
   a) Liability:
      $1,000,000.00 each individual
      $1,000,000.00 each accident
      $1,000,000.00 property damage liability
   b) Physical Damage and Loss: $316,298.00
   c) Additional riders, exclusions or special terms required by COLUMBIA STATE BANK:

      _____

5. LESSEE'S BILLING ADDRESS:

Bonner County, Idaho
1500 Hwy 2, Ste 304
Sandpoint, ID 83864

6. ADDRESS PAYMENTS TO:

COLUMBIA STATE BANK
PO Box 1757
Tacoma, WA 98401

7. OTHER TERMS:

See attached Exhibit "D" for maintenance and return provisions.

Bonner County, Idaho, "Lessee"

By: Glen Bailey

Name: Glen Bailey

Title: Chairman

EXHIBIT "C"

Other Outstanding Tax Exempt Obligations

Dates of Obligation	Beginning Amount	Current Balance	Creditor Name

EXHIBIT "D"

Maintenance and Return Conditions

Lessee will return equipment in like-new condition less normal wear and tear and will perform reasonable periodic maintenance pursuant to Section IV(4.1) of Municipal Equipment Lease Purchase Agreement.

Bonner County, Idaho,"Lessee"

By: Glen Bailey

Name: Glen Bailey

Title: Chairman

INCUMBENCY CERTIFICATE

We, the undersigned, hereby certify that we are duly qualified and acting .on behalf of Bonner County, Idaho, (Lessee); and, with respect to Municipal Equipment Lease Purchase Agreement dated as of **October 23, 2018** (the "Lease"), by and between Lessee and COLUMBIA STATE BANK, that we are the persons who hold the respective offices or positions set forth opposite their signatures below; that the signatures below written are true and correct signatures of said persons; and that as of the date of execution of the Lease such persons were duly qualified and acting as the officers or position holders indicated below and duly authorized to execute the same:

Name	Office or Position	Signature
Glen Bailey	Chairman	Glen Bailey

Dated: 10/23/2018

Attested to By: Claire J May
Signature

Printed Name: Claire J May

Title: Deputy Clerk

Date: October 23, 2018

COLUMBIA STATE BANK

Ladies and Gentlemen-.

As counsel for Bonner County, Idaho, ("Lessee"), I have examined an executed counterpart of the Municipal Equipment Lease Purchase Agreement and Exhibit B (Installment Lease Payment Schedule) (the "Lease") dated as of **October 23, 2018** between Lessee and COLUMBIA STATE BANK ("COLUMBIA STATE BANK"), the proceedings taken by Lessee to authorize Lessee's execution of and performance under the Lease, including without limitation the meeting minutes and other documents and matters of law as I have deemed relevant and necessary in rendering this opinion.

Based upon the foregoing examination, I am of the opinion that:

1. Lessee is duly organized and existing as a political subdivision under the Constitution and laws of the State of Idaho with full power and authority to enter into the Lease.

2. The Lease has been duly authorized, executed and delivered by Lessee, and constitute the legal, valid and binding obligations of Lessee, enforceable according to their respective terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditor's rights generally or usual equity principles in the event equitable remedies should be sought.

3. No authorization, approval, consent or other order of any governmental authority, other than authorizations, approvals, consents and orders which have already been obtained, is required for the valid authorization, execution and delivery of the Lease for the performance by Lessee of its obligations in the transactions contemplated thereby.

4. No litigation of any nature is now pending or, to my knowledge, threatened, challenging the authority of Lessee to enter into, or seeking to restrain or enjoin the execution or performance by Lessee of, the Lease, challenging the security interest of COLUMBIA STATE BANK or its assigns in the Equipment (as defined in the Lease), nor seeking to restrain or enjoin Lessee from appropriating sufficient funds to pay the installment payments contemplated by the Lease.

5. The execution and delivery of the Lease and the compliance with the provisions thereof by Lessee, and the consummation by Lessee of the transactions contemplated thereby under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of Lessee a breach of or default under any agreement or other instrument to which Lessee is a party or by which it is bound or any existing law, regulation, court order or consent decree to which Lessee is subject.

6. The Equipment is personal property and, when subject to use by Lessee, will not be or become fixtures under the laws of the State of Idaho.

Very truly yours,

Signature: Scott Bauer

Printed Name: D. Scott Bauer

Title: Deputy Prosecutor

HLP0992

AMORTIZATION SCHEDULE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$316,298.00	10-23-2018	10-23-2023	1831049	8 / E1	***	HDG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: Bonner County, Idaho
1500 Hwy 2 Ste 304
Sandpoint, ID 83864-1793

Lender: Columbia State Bank
North Idaho Commercial Banking
414 Church St, Suite 100
Sandpoint, ID 83864

Disbursement Date: October 23, 2018
Interest Rate: 3.740

Repayment Schedule: Irregular
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	10-24-2018	32.86	32.86	0.00	316,298.00
2	10-24-2018	22,023.26	0.00	22,023.26	294,274.74
3	10-23-2019	11,128.16	11,128.16	0.00	294,274.74
4	10-23-2019	22,023.26	0.00	22,023.26	272,251.48
5	10-23-2020	10,351.91	10,351.91	0.00	272,251.48
6	10-23-2020	22,023.26	0.00	22,023.26	250,228.22
7	10-23-2021	9,488.52	9,488.52	0.00	250,228.22
8	10-23-2021	22,023.26	0.00	22,023.26	228,204.96
9	10-23-2022	8,653.41	8,653.41	0.00	228,204.96
10	10-23-2022	22,023.26	0.00	22,023.26	206,181.70
11	10-23-2023	214,000.00	7,818.30	206,181.70	0.00
TOTALS:		**363,771.16**	**47,473.16**	**316,298.00**	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

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HLP0586

DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$316,298.00	10-23-2018	10-23-2023	1831049	8 / E1	***	HDG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: Bonner County, Idaho
1500 Hwy 2 Ste 304
Sandpoint, ID 83864-1793

Lender: Columbia State Bank
North Idaho Commercial Banking
414 Church St, Suite 100
Sandpoint, ID 83864

LOAN TYPE. This is a Fixed Rate (3.740% initial rate) Nondisclosable Loan to a Corporation for $316,298.00 due on October 23, 2023.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

☐ **Personal, Family, or Household Purposes or Personal Investment.**

☒ **Business (Including Real Estate Investment).**

SPECIFIC PURPOSE. The specific purpose of this loan is: Purchase of a 2018 John Deere 772GP Motor Grader.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of $316,298.00 as follows:

Amount paid to others on Borrower's behalf: $316,298.00 to Pape Machinery, Inc.	$316,298.00
Note Principal:	$316,298.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash:	$0.00
Other Charges Paid in Cash: $16.00 UCC Financing Statement Fee (Paid By Lender) $16.00 UCC Termination Fee (Paid By Lender) $31.00 UCC Post-Lien Search Fee (Paid By Lender)	$63.00
Total Charges Paid in Cash:	$63.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED OCTOBER 23, 2018.

BORROWER:

BONNER COUNTY, IDAHO

By: _____
Authorized Signer for Bonner County, Idaho

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HLP0511

AGREEMENT TO PROVIDE INSURANCE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$316,298.00	10-23-2018	10-23-2023	1831049	8 / E1	***	HDG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Grantor: Bonner County, Idaho
1500 Hwy 2 Ste 304
Sandpoint, ID 83864-1793

Lender: Columbia State Bank
North Idaho Commercial Banking
414 Church St, Suite 100
Sandpoint, ID 83864

INSURANCE REQUIREMENTS. Grantor, Bonner County, Idaho ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

Collateral: **2013 John Deere 772G Motor Grader with 6WD Serial No. 1DW772GPVJF691341.**
Type: All risks, including fire, theft and liability.
Amount: Full Insurable Value.
Basis: Replacement value.
Endorsements: Lender loss payable clause with stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days prior written notice to Lender.
Latest Delivery Date: By the loan closing date.

INSURANCE COMPANY. Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

INSURANCE MAILING ADDRESS. All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

COLUMBIA STATE BANK
P.O. BOX 1757
TACOMA, WA 98401

LOSS PAYEE. LOSS PAYEE MUST READ: COLUMBIA STATE BANK, ITS SUCCESSORS AND/OR ASSIGNS

MAXIMUM DEDUCTIBLES:

Equipment, Inventory and/or Fixtures = $5,000.00
Commercial Vehicles = $5,000.00
Personal Vehicles = $1,000.00
Residential 1-4 SFR= $1,000.00
Commercial Real Estate= $10,000.00
Boats= $1,000.00
Aircraft = $5,000.00.

FAILURE TO PROVIDE INSURANCE. Grantor agrees to deliver to Lender, on the latest delivery date stated above, proof of the required insurance as provided above, with an effective date of October 23, 2018, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the Indebtedness as provided in the security document. GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

AUTHORIZATION. For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED OCTOBER 23, 2018.

GRANTOR:

BONNER COUNTY, IDAHO

By: Glen Bailey
Authorized Signer for Bonner County, Idaho

FOR LENDER USE ONLY
INSURANCE VERIFICATION

DATE: _____ PHONE **(206) 406-7874**
AGENT'S NAME: **Hans Christenson**
AGENCY: **Wells Fargo Insurance Services**
ADDRESS: **999 3rd Ave, Suite 4100, Seattle, WA 98104**
INSURANCE COMPANY: **Charter Oak Fire Inis. Co.**
POLICY NUMBER: **8102C412989**
EFFECTIVE DATES: _____
COMMENTS: _____

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NOTICE OF INSURANCE REQUIREMENTS

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
	10-23-2018		1831049	8 / E1	***	HDG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Grantor: Bonner County, Idaho
1500 Hwy 2 Ste 304
Sandpoint, ID 83864-1793

Lender: Columbia State Bank
North Idaho Commercial Banking
414 Church St, Suite 100
Sandpoint, ID 83864

TO: Wells Fargo Insurance Services
ATTN: Hans Christenson
999 3rd Ave, Suite 4100
Seattle, WA 98104

DATE: October 23, 2018

RE: Policy Number(s): **8102C412989**
Insurance Companies/Company: **Charter Oak Fire Inis. Co.**

Dear Hans Christenson:

Grantor, Bonner County, Idaho ("Grantor") is obtaining a loan from Columbia State Bank. Please send appropriate evidence of insurance to Columbia State Bank, together with the requested endorsements, on the following property, which Grantor is giving as security for the loan.

Collateral: **2013 John Deere 772G Motor Grader with 6WD Serial No. 1DW772GPVJF691341.**
Type: All risks, including fire, theft and liability.
Amount: Full Insurable Value.
Basis: Replacement value.
Endorsements: Lender loss payable clause with stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days prior written notice to Lender.
Latest Delivery Date: By the loan closing date.

LOSS PAYEE. LOSS PAYEE MUST READ: COLUMBIA STATE BANK, ITS SUCCESSORS AND/OR ASSIGNS

MAXIMUM DEDUCTIBLES:

Equipment, Inventory and/or Fixtures = $5,000.00
Commercial Vehicles = $5,000.00
Personal Vehicles = $1,000.00
Residential 1-4 SFR= $1,000.00
Commercial Real Estate= $10,000.00
Boats= $1,000.00
Aircraft = $5,000.00.

GRANTOR:

BONNER COUNTY, IDAHO

By: Glen Bailey
Authorized Signer for Bonner County, Idaho

RETURN TO:

COLUMBIA STATE BANK
P.O. BOX 1757
TACOMA, WA 98401

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Form **8038-G** (Rev. September 2018)

Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Bonds

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*
▶ Go to *www.irs.gov/F8038G* for instructions and the latest information.

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: Bonner County Idaho

2 Issuer's employer identification number (EIN): 82-6000285

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

3b Telephone number of other person shown on 3a

4 Number and street (or P.O. box if mail is not delivered to street address): 1500 Highway 2, Ste. 101

Room/suite

5 Report number (*For IRS Use Only*): 3

6 City, town, or post office, state, and ZIP code: Sandpoint ID 83864

7 Date of issue

8 Name of issue

9 CUSIP number

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

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

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11	Education	11	
12	Health and hospital	12	
13	Transportation	13	
14	Public safety	14	
15	Environment (including sewage bonds)	15	
16	Housing	16	
17	Utilities	17	
18	Other. Describe ▶ John Deere 772GP Motor Grader with 6WD	18	316298 00
19a	If bonds are TANs or RANs, check only box 19a ▶ ☐		
b	If bonds are BANs, check only box 19b ▶ ☐		
20	If bonds are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Bonds. 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	10/23/2023	$ 316,298.00	$ N/A	9yrs years	3.74 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	N/A
23	Issue price of entire issue (enter amount from line 21, column (b))			23	N/A
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 refund prior tax-exempt bonds. Complete Part V	27			
28	Proceeds used to refund prior taxable bonds. Complete Part V	28			
29	Total (add lines 24 through 28)			29	N/A
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	N/A

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded ▶	years
32	Enter the remaining weighted average maturity of the taxable bonds to be refunded ▶	years
33	Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) ▶	
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	

Part VI Miscellaneous

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 (GIC). See instructions	36a		
b	Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) _____			
c	Enter the name of the GIC provider ▶ _____			
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37		

38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:

b Enter the date of the master pool bond ▶ (MM/DD/YYYY) _____

c Enter the EIN of the issuer of the master pool bond ▶ _____

d Enter the name of the issuer of the master pool bond ▶ _____

39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . ▶ ☐

40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ▶ ☐

41a If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:

b Name of hedge provider ▶ _____

c Type of hedge ▶ _____

d Term of hedge ▶ _____

42 If the issuer has superintegrated the hedge, check box . . . . . ▶ ☐

43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ▶ ☐

44 If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ▶ ☐

45a If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement . . . . . ▶ _____

b Enter the date the official intent was adopted ▶ (MM/DD/YYYY)

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

X _____ 10/23/18

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

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶ — Firm's EIN ▶

Firm's address ▶ — Phone no.

Columbia Bank

October 16, 2018

Bonner County, Idaho
Road and Bridge Department
1500 Hwy 2, Suite 101
Sandpoint, ID 83864

Attn: Steve Klatt
Road and Bridge Director

Re: $316,000 Lease Purchase of 2018 John Deere 772GP Motor Grader

Dear Steve:

Thank you for giving Columbia State Bank the opportunity to work with you. In connection with the lease I have attached the following for review and signature:

- Municipal Lease Purchase Agreement with Exhibits "A" thru "D" (Chairman Bailey to sign in 5 places and County Clerk / Deputy Clerk to sign (attest) in 1 place)
- Incumbency Certificate (Chairman Bailey as well as County Clerk /Deputy Clerk to sign this document);
- Attorney's Opinion Letter (to be signed and dated by County Attorney)
- Disbursement Request and Authorization (Chairman Bailey to sign)
- Agreement to Provide Insurance (Chairman Bailey to sign)
- Notice of Insurance Requirements (Chairman Bailey to sign)
- IRS Form 8038-G – Blank form (please return a **copy** of the **completed and signed** form. Bonner County must file the original with the IRS)
- Certified copy of County Commissioner's Meeting Minutes stating Chairman Bailey is to sign.

When returning the documents, please include the following check

- $22,023.26 payable to Columbia Bank for the first payment

Please return the original documents and copy of IRS Form 8038-G to:

Columbia Bank
414 Church Street, Suite 100,
Sandpoint, ID 83864

Please do not hesitate to contact me at (208) 265-3306, or on my cell at (208) 290-7465 if there are any questions.

Sincerely,

Hugh D. Gavin
Vice President and Commercial Banking Officer