



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: February 8, 2011

Date Prepared: January 31, 2011

Prepared by: Timothy M. Kiser, PE, Public Works Director/City Engineer *TMK*

Title: Automated Meter Infrastructure and Utility Billing Services

Recommended Motion: That Council 1) approve a fifteen (15) year long-term Service Agreement with Global Water Management, LLC, "Global Water," for Automated Meter Infrastructure and Utility Billing Services in the amount of \$383,895 annually; 2) authorize the Mayor to execute the agreement, subject to legal review; 3) authorize the Public Works Director/City Engineer to approve amendments/change orders for up to 10% of the annual Service Agreement, 4) authorize the Public Works Director/City Engineer to negotiate and approve inflation adjuster factor for service fees in accordance with the Service Agreement, and 4) authorize the City Administrator to approve any budget transfers and/or amendments necessary to successfully implement this Service Agreement.

Agenda: Administrative

Background Information: July 27, 2010, City Council directed the Public Works Department to advertise for Requests for Proposals (RFP) from professional firms which would be able to replace the City's aged water meter equipment with Automatic Meter Reading (AMR) technology, billing, system mapping and efficiency effecting software systems in order to increase the accuracy of customer water use and add technological advances improving efficiencies to the utility billing system while adding electronic mapping capabilities to be utilized in streamlining system maintenance and capital planning capabilities.

At the November 23, 2010 meeting of the City Council, staff reported the determination of the Evaluation Committee and received authorization from Council to enter into contract negotiations with Global Water, LLC. Staff has completed the negotiations and has attached a Service Agreement for review and approval. The proposed Service Agreement with Global Water will improve utility customer service, utility billing, and operating improvements (i.e. lowering costs of service, improving customer service features, improving water conservation). With the approval of the Service Agreement, the Automated Meter Infrastructure and Utility Billing Services is estimated to be fully operational by fall 2011. For more detailed information see Memorandum and Service Agreement.

Council Goals/Objectives: The Service Agreement for Automated Meter Infrastructure and Utility Billing Services executes portions of work tasks towards achieving/maintaining Strategic Goal #3 - Public Infrastructure Enhancement; Strategic Goal #4 - Prudent Financial Management; and Strategic Goal #7 - Use of Technology, Training and Productive Work Force.

Funds Available: Yes

Account #: Sewer and Water Funds

Reviewed by: _____ City Administrator

_____ Finance

Agenda Item # _____



City of Grass Valley
Memorandum For
City Council Meeting Of January 25, 2011
Prepared on January 18, 2011

To: Members of the City Council

Prepared by: Timothy M. Kiser, PE, Public Works Director/City Engineer *TMK*

Subject: Automated Meter Infrastructure and Utility Billing Services

Background Information: On July 27, 2010, Council authorized the Public Works Director/City Engineer to solicit Request for Proposals (RFPs) for Automated Meter Infrastructure and Utility Billing Services. On September 20, 2010, the Public Works Department (DPW) received responses to the City's RFP from two (2) firms. The proposals were reviewed and it was the consensus of the evaluators that the most qualified and responsive firm was Global Water. At the November 23, 2010 City Council meeting, staff reported the determination of the Evaluation Committee and received authorization from Council to enter into contract negotiations with Global Water.

Over the last year, DPW in conjunction with the Finance Department and the City Administrator have been investigating options to improve utility customer service, utility billing, and operating improvements (i.e. lowering costs of service, improving customer service features, improving water conservation). Through the solicitation of RFP's and researching different options of improving the City's meter data collection and utility billing system, including future needs, staff is looking to institute some proven advances in Automatic Meter Infrastructure (AMI) Technology. Staff believes Global Water provides the best technologically feasible and beneficial turnkey solution for data collection, billing, customer services, and field services management. AMI Technology has been around for more than ten years, and provides automatic meter reading and data transmission via modem many times per day, which benefits customer service by providing the ability to detect leaks faster, and the ability to provide daily water consumption data for customers to promote water conservation. With this technology the City would have the ability to switch to monthly billing for utilities and provide customers with online service features (i.e. user water consumption analysis, credit card payments, other billing/payment features/options).

As part of Global Water's Service Agreement, a field asset management software platform shall provide maintenance staff with electronic mapping of the City's systems in the field, identify necessary water valves requiring isolation to repair a section of line, while providing affected customers with an automated telephone message advising them of the repairs and an estimate of the repair duration. This maintenance management system will also track work orders, maintenance history, and provide access to operating manuals (i.e. pump repair manuals, equipment repair manuals) to field staff, greatly increasing staffing efficiencies.

Agenda Item # _____

Additionally, these modern systems will also reduce annual staffing allocations associated with meter reading (approximately 40%), which can then be used to address much needed water system deferred maintenance issues. The modernized utility billing software and outsourcing of utility billing associated with the previously mentioned customer services would also reduce utility billing staffing allocations by approximately 30%.

Cost Summary and Funding Split

Requested Services	Cost	Sewer Fund Portion	Water Fund Portion
AMI Capital Fee *	\$ 1,657,510	14%	86%
AMI Yearly Services Fee (\$/yr)	\$ 27,739	14%	86%
CIS Capital Fee *	\$ 157,888	64%	36%
CIS Yearly Services Fee (\$/yr)	\$ 181,280	64%	36%
Asset Management (EIS) Capital Fee*	\$ 239,756	74%	26%
Asset Management (EIS) Services Fee (\$/yr)	\$ 68,130	74%	26%

Sewer Fund Capital (One Time Cost)	\$ 505,324.00
Water Fund Capital (One Time Cost)	\$ 1,549,829.94
Total Capital Cost	\$ 2,055,154
Capital Cost (15 Year Lease/Purchase Payment) per Year =	\$ 106,746.74
Sewer Fund Yearly Service Fee	\$ 170,859.00
Water Fund Yearly Service Fee	\$ 106,289.93
Total Year Service Fee	\$ 277,148.73
Grand Total (YR Service Fee + Capital Lease Payment)	\$ 383,895.47

Notes: *One Time Payment or Capital Financing of Cost

User Account Summary

Commercial Water	370
Residential Water	1970
Commercial Sewer	686
Residential Sewer	3538
Total	6564

Agreement Costs and Financing: This agreement is established on a long-term lease-to-own basis in order to spread initial equipment and installation effort costs over the term of the agreement with the possibility of annual contract openers to negotiate defined items in the contract that are susceptible to cost increases such as labor and software licensure costs. The increases are limited in the agreement to an agreed upon Consumer Price Index (CPI) source document. A complete detail of the annual capital project costs are included in the attached agreement documents.

The annual agreement cost is \$383,895, with \$106,747 lease payment for the installation of new infrastructure (new meters, AMI, and other Capital Costs) and the remaining \$277,148 for utility billing, costumer, and management services. Capital program for Sewer and Water funds have sufficient funds to finance the \$106,747 lease payment annually at 24.5% Sewer fund and 75.5% Water fund. The utility billing, costumer, and management services portion of the agreement shall be financed from 62% Sewer fund and 38% Water fund. With proposed staffing, materials, and operations savings, DPW can fully fund this portion of the agreement.

Recommended Motion: That Council 1) approve a fifteen (15) year long-term Service Agreement with Global Water Management, LLC "Global Water" for Automated Meter Infrastructure and Utility Billing Services in the amount of \$383,895 annually; 2) authorize the Mayor to execute the agreement, subject to legal review; 3) authorize the Public Works Director/City Engineer to approve amendments/change orders for up to 10% of the annual Service Agreement, 4) authorize the Public Works Director/City Engineer negotiate and approve inflation adjuster factor for service fees in accordance with the Service Agreement; and 4) authorize the City Administrator to approve any budget transfers and/or amendments necessary to successfully implement this Service Agreement.



SOFTWARE AS A SERVICE AGREEMENT

This Software as a Service Agreement (the “Agreement”) is made as of the date last written below between GLOBAL WATER MANAGEMENT, LLC, a Delaware limited liability company with an address at 21410 N. 19th Avenue, Suite 201, Phoenix, AZ 85027 (“Global”) and THE CITY OF GRASS VALLEY, a California municipal corporation with its principal offices at _____ (“Grass Valley” or “Customer”), collectively the Parties.

RECITALS

A. Global Water Resources, LLC, is the parent of several private regulated utility companies and has designed and implemented an integrated information technology platform for the administration and operation of its utilities through its affiliate, Global.

B. Global’s technology platform includes Automated Meter Reading (“AMR”), Automated Meter Infrastructure (“AMI”), Customer Information System (“CIS”), Supervisory Control and Data Acquisition (“SCADA”), Computerized Maintenance Management System (including Work Order Management (“CMMS”), and numerous other products that in total represent Global’s Master Data Management (“MDM”) products. Global has also developed and uses its own proprietary software known as Global Green Billing (“G2B”) with MDM to operate, query, and provide reports for utility managers, operators, and customers. Global’s products are collectively referred to in this Agreement as the “Platform”.

C. Global has designed and implemented a Lease Purchase Program (the “Program”) specifically to allow municipalities to access a tax-exempt lease purchase finance option from Global when acquiring a bundle of products and services through Global.

D. Global desires that other public and private utilities access the Platform as a fee-based service through its cloud computing environment over the internet.

E. Global desires that other public and private utilities procure meters and meter reading infrastructure (AMI) and other services as required to ensure deployment and operability of the platform through Global’s Program.

F. Grass Valley desires to utilize and gain the benefits of Global’s Program.

G. Grass Valley desires to obtain a right to access the Platform for Grass Valley’s utility services and receive training from Global on the use of the Platform. Global is willing to grant Grass Valley access to, provide training for, and offer support for the Platform, subject to the terms of this Agreement.

H. The City of Grass Valley desires Global to maximize the use of local labor, Global will make all reasonable attempts to source local labor for the meter audit and meter installation services.



I. The Parties desire to enter into an Agreement where Global will provide the Platform, Program, and any required training, and support services to Grass Valley in accordance with the terms of this Agreement.

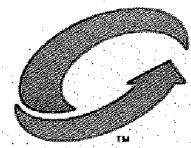
AGREEMENT

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

5. DEFINITIONS.

5.1. As used in this Agreement, the following terms shall have the meanings set forth below:

- (A) Access means Customer's access to and use of the Platform in accordance with this Agreement and **Exhibit A, Selected Services Schedule and Fees**.
- (B) CIS means Customer Information System
- (C) Confidential Information means that information of either party ("Disclosing Party") which is disclosed to the other party ("Receiving Party") under this Agreement in written form and marked "Confidential," "Proprietary," or similar designation, or if orally disclosed, that information which the Receiving Party should reasonably discern, by an objective examination of the disclosure and the surrounding facts and circumstances, to be confidential in nature. Confidential Information includes, but is not limited to, trade secrets, know-how, inventions, techniques, processes, algorithms, software programs, schematics, designs, contracts, customer lists, financial information, product plans, and business information.
- (D) Documentation means any instruction, comment, or information whether in printed or electronic form.
- (E) Effective Date means date last written below for the commencement of this Agreement.
- (F) Global Documentation means the Documentation related to the Platform including, but not limited to any technical or user documentation relating to the installation, use, or maintenance of the Platform, including reference, user, installation, systems administrator, technical manuals, guides, and "readme" files, whether in hard copy or in on-line format, as may be supplied from time to time by Global to Customer. Global Documentation includes any updates, upgrades, or new versions of the foregoing released by Global, in its sole discretion during the term of this Agreement.
- (G) Platform means Global's Automated Meter Reading ("AMR"), Automated Meter Infrastructure ("AMI"), Customer Information System ("CIS"), Supervisory Control and Data Acquisition ("SCADA"), Computerized Work



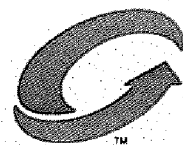
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Order Management (“CMMS”), Global Green Billing (“G2B”), and Global’s Master Data Management (“MDM”) products.

- (H) Program means Global’s private label municipal lease purchase finance program.
- (I) Support Services means the support services provided by Global with respect to the Access Permit, as set forth in **Exhibit B, Support**.
- (J) Scope of Service means the document explaining the services to be provided as set forth in **Exhibit I, Scope of Services**. This document is managed and may be altered with the written consent of the project managers for the Parties.
- (K) Force Majeure means that performance of the duties under this contract become impossible or impracticable due to the occurrence of external events not within the reasonable contemplation and control of the City, including, but not limited to an act of war or other military action, terrorism, a strike of other work blockage, riots, crime, act of God (including, fire, flood, earthquake, storm, tornado, hurricane or other natural disaster or extreme weather condition), legally declared disaster conditions by an authorized entity, any interruption of telephone or electrical service or any such other external occurrence. All parties agree to minimize delay or damages resulting from such an event.
- (L) Equipment Lease Purchase Agreement means the fully assignable tax exempt lease purchase agreement provided in connection with Global’s Program, attached as **Exhibit C, California Equipment Lease/Purchase Agreement** that shall be assigned at closing.

6. ACCESS.

- 6.1. Subject to the terms and conditions of this Agreement, Global grants Grass Valley a limited, nonexclusive, nontransferable, and revocable right to use and access Global’s Platform only for those services specifically identified in **Exhibit A**, beginning on the Effective Date. Customer acknowledges that Access will be granted City employees for the purpose of managing the water and wastewater infrastructure associated with Customer and operated via one or more internet connections. Access to additional users may be granted in accordance with **Exhibit H, Additional Services Agreement**.
- 6.2. The Access granted by this Agreement is for a fifteen (15) year period beginning on the Effective Date (“Initial Period”), and shall thereafter automatically renew for one (1) year periods, unless written notice is provided not later than one hundred and eighty (180) days prior to the expiration of the Initial Period or the then-current one (1) year renewal period, after which this Agreement shall expire at the end of the Initial Period or the then-current one (1) year renewal period. The parties



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acknowledge that non-renewal of this Agreement after completion of the Initial Period may be for or without default/cause.

- 6.3. Customer is allowed Access solely for Customer's own internal operations, and cannot sublicense, rent, or permit anyone other than Customer's own authorized employees and agents that have received proper training by Global personnel, to use or have access to the Platform under any circumstances not authorized by this Agreement.
- 6.4. Unless otherwise expressly authorized in this Agreement, Customer shall not:
- (A) Distribute, disclose, or transfer to any third party, except for Customer's employees and agents, any portion of the Platform or use or demonstrate the Platform in any service bureau arrangement, facility management, or third party training; or
 - (B) Use the Platform for any purpose or application other than as permitted under this Agreement.
 - (C) Attempt to derive, or permit or help others to derive the Source Code relating to the Software or attempt to otherwise convert or alter the Software into human readable code or (b) remove or obscure any product identification, copyright or other notices from any Documentation.
- 6.5. Global has the right, upon reasonable advance notice and during regular business hours, to inspect Customer's books, records, computers, and facilities with respect to the use of the Platform to verify that:
- (A) such use is within the scope of this Agreement,
 - (B) there are appropriate security procedures to protect any Confidential Information,
 - (C) Customer is in compliance with Section 2.4
 - (D) Customer is in compliance with its other obligations under Section 2 of this Agreement.

7. FEES; PAYMENT TERMS; SECURITY INTEREST; TAXES.

- 7.1. Customer shall pay to Global the fees set forth in **Exhibit A**. Global will deliver monthly invoices for the payment of fees due under this Agreement to Customer at the address set forth in Section 18.
- 7.2. All payments are due within thirty (30) days from the date of invoice. Any invoices not timely paid will be subject to interest and late fees in accordance with **Exhibit A**. Customer's failure to pay any fees within five (5) days following written notice from Global may, at Global's sole discretion, result in Global exercising any of its rights and remedies at law and in equity, including but not limited to terminating Customer's Access and/or disconnecting Customer from Global's servers and other



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connection providers without notice to Customer. Customer agrees to pay Global the costs associated with the disconnection of services under this Section 3.2.

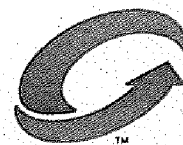
- 7.3. Global's fees for any services provided to Customer under this Agreement will be adjusted annually as provided for in **Exhibit A**. Annual adjustments will be calculated based on the prior year's fees for the services plus an inflation adjuster as provided for in **Exhibit A**. At no point must any change be less than zero percent.
- 7.4. The fees listed in this Agreement do not include taxes. If Global is required to pay sales, use, property, value-added, withholding, or other taxes based on the goods and services provided to Customer under this Agreement, then and unless Customer provides Global with a valid tax exemption certificate, such taxes will be billed to and paid by Customer.

8. CUSTOMER'S OBLIGATIONS.

- 8.1. Customer must, as reasonably requested by Global, provide Global with detailed information about Customer's account information, billing rates, work flow, billing and collecting procedures, transaction volumes, and current and historical account data to assist Global in establishing the Platform for Customer's use; provided that the information is not otherwise subject to disclosure restrictions under federal, state, or local law. Any information provided under this Section 4.1 shall be considered Confidential Information.
- 8.2. Customer must designate a project manager or an information technology team to coordinate and work with Global in the installation, implementation, and support of the Platform, including testing of the Platform following installation. The identity and contact information of the Customer project manager and information technology team must be provided in **Exhibit G, Contacts**.
- 8.3. During the transition period to the Platform, Customer may, but is not required to, continue to operate its existing processing operations on a parallel test basis until a thorough testing of the Platform under live production conditions has been completed. Customer acknowledges and agrees that Global is not liable for any damages that Customer might suffer to its existing processing operations as a result of a transition to Global's Platform except as caused by Global's sole or gross negligence.

9. GLOBAL'S OBLIGATIONS.

- 9.1. Global agrees, at no additional cost to Customer, that Global personnel performing services in connection with this Agreement will have the technical experience, proper training, and qualification to fulfill Global's obligations under the Agreement.
- 9.2. Insurance:
 - (A) Global shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain the insurance listed below. Any requirement for insurance to be maintained after completion of the work shall survive this Agreement. Contemporaneous with the signing of this Agreement, Global shall



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file with Customer a Certificate of Insurance, indicating companies acceptable to Customer, with a Best's Rating of no less than A:VII showing. Documentation of such rating acceptable to Customer shall be provided at the same time Insurance Certificates are submitted.

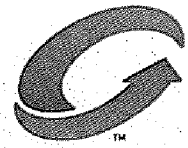
- (B) Prior to execution of this agreement and prior to commencement of any work, Global shall furnish Customer with original endorsements effecting coverage for all policies required by the Agreement. The endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf. The endorsements are to be on forms acceptable to Customer. At Customer's discretion, Customer may require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by this Section. If Customer requests, Global will furnish one copy of each required policy to Customer, and additional copies if requested in writing, certified by an authorized representative of the insurer. Approval of the insurance by Customer shall not relieve or decrease any liability of Global.
- (C) In the event any policy is canceled prior to the completion of the project and Global does not furnish a new certificate of insurance prior to cancellation, Customer may obtain the required insurance and deduct the premium(s) from any monies due Global.
- (D) **General Liability Insurance**
 - (1) Commercial General Liability Insurance no less broad than ISO form CG 00 01.
 - (2) Coverage must be on a standard Occurrence form. Claims-Made forms are not acceptable without prior written consent. Modified, limited, or restricted Occurrence forms are not acceptable without prior written consent.
 - (3) Minimum Limits:
 - (a) \$1,000,000 per Occurrence
 - (b) \$2,000,000 General Aggregate; the General Aggregate shall apply separately to each location.
 - (c) \$2,000,000 Products/Completed Operations Aggregate. The General Aggregate must apply separately to each project.
 - (4) Prior written consent is required if the insurance has a deductible or self-insured retention in excess of \$25,000.
 - (5) The City of Grass Valley must be endorsed as an additional insured for liability arising out of ongoing and completed operations by or on behalf of Global.



- (6) The policy definition of “insured contract” must include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (“f” definition of insured contract in ISO form CG 00 01, or equivalent).
- (7) The insurance provided to the City of Grass Valley as an additional insured must apply on a primary and non-contributory basis with respect to any insurance or self-insurance program maintained by the City of Grass Valley.
- (8) Thirty (30) days' prior written notice of cancellation or material change must be provided to the City of Grass Valley.
- (9) The policy must cover inter-insured suits and include a “separation of Insureds” or “severability” clause which treats each insured separately.
- (10) Required Evidence of Coverage:
 - (a) Copy of the additional insured endorsement or policy language granting additional insured status;
 - (b) Copy of the endorsement or policy language indicating that coverage applicable to the City of Grass Valley is primary and non-contributory; and
 - (c) Properly completed Certificate of Insurance.

(E) **Worker's Compensation & Employers Liability Insurance**

- (1) By their signature hereunder as Global, each person signing this Agreement on behalf of Global certifies that it is aware of the provisions of Section 3700 of the Labor Code which requires every employer to be insured against liability for Workers' Compensation or to undertake self insurance in accordance with the provisions of that Code, and it will comply with such provisions before commencing the performance of the work of this Agreement.
- (2) If such insurance is underwritten by any agency other than State Compensation Fund, such agency shall be a company authorized to do business in the State of California.
- (3) Workers' Compensation insurance with statutory limits as required by the Labor Code of the State of California.
- (4) Employers Liability with limits of
 - (a) \$1,000,000 per Accident
 - (b) \$1,000,000 Disease per employee
 - (c) \$1,000,000 Disease per policy



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- (5) Each Worker's Compensation policy shall be endorsed with the following specific language:
 - (a) **Cancellation Notice** - "This policy shall not be canceled or materially changed without first giving thirty (30) days' prior written notice to the City of Grass Valley."
 - (b) The policy must include a written waiver of the insurer's right to subrogate against the City of Grass Valley.
- (6) Required Evidence of Coverage:
 - (a) Properly completed Certificate of Insurance.
- (7) Global shall require its SUBCONSULTANTS to maintain adequate Workers' Compensation insurance. Certificates of Workers' Compensation shall be filed forthwith with Customer upon demand.

(F) **Endorsements:**

- (1) Each Commercial General Liability policy shall be endorsed with the following specific or similar language:
 - (a) "Insured: The City of Grass Valley, its elected or appointed officers, agents, volunteers, and employees are included as insureds with regard to liability and defense of suits arising from the operations and activities performed by or on behalf of the named insured."
 - (b) "Contribution Not Required: As respects (a) work performed by the Named Insured for or on behalf of the City of Grass Valley; or (b) products sold by the Named Insured to the City of Grass Valley; or (c) premises leased by the Named Insured from the City of Grass Valley, the insurance afforded by this policy shall be primary insurance as respects the City of Grass Valley, its elected or appointed officers, officials, employees, or volunteers; or stand in an unbroken chain of coverage excess of the Named Insured's scheduled underlying primary coverage. In either event, any other insurance maintained by the City of Grass Valley, its elected or appointed officers, officials, employees, or volunteers shall be in excess of this insurance and shall not contribute with it."
 - (c) "Cancellation Notice: With respect to the interests of the City of Grass Valley, this insurance shall not be cancelled, except after thirty (30) days prior written notice by receipted delivery has been given to the City of Grass Valley."
 - (d) "Except as stated above, nothing herein shall be held to waive, alter, or extend any of the limits, conditions, agreements, or exclusions of the policy to which this endorsement is attached."



(G) **Automobile Liability Insurance**

- (1) Global shall maintain automobile liability insurance covering bodily injury and property damage in an amount no less than ONE MILLION DOLLARS (\$1,000,000) combined single limit for each occurrence.
- (2) Covered vehicles shall include owned if any, non-owned, and hired automobiles and trucks.
- (3) The endorsements listed above for each General Liability Policy shall also apply to the Automobile Liability Policy.

(H) **Additional Requirements**

- (1) Premium Payments: The insurance companies shall have no recourse against Customer and funding agencies, its officers and employees or any of them for payment of any premiums or assessments under any policy issued by a mutual insurance company.
- (2) Policy Deductibles: Global shall be responsible for all deductibles in all of Global's insurance policies. The amount of deductibles for insurance coverage required herein should be reasonable if deductibles exceed \$50,000.
- (3) Global's Obligations: Global's indemnity and other obligations shall not be limited by the foregoing insurance requirements and shall survive the expiration of this agreement.
- (4) Material Breach: Failure of the Global to maintain the insurance required by this Agreement, or to comply with any of the requirements of this section, shall constitute a material breach of the entire Agreement and be subject to the requirements of Agreements.

(I) **Documentation**

- (1) The Certificate of Insurance must include the following reference:
Global Water Project
- (2) The name and address for Additional Insured Endorsements, Certificates of Insurance, and Notice of Cancellation is: City of Grass Valley, Attn: Engineering Division, 125 E Main Street, Grass Valley, CA 95945.
- (3) Current Evidence of Coverage must be provided for the entire required period of insurance.
- (4) Upon written request, certified copies of required insurance policies must be provided within thirty (30) days.

9.3. Global must designate a project manager or an information technology team to coordinate and work with Customer in the installation, implementation, and support



of the Platform, including testing of the Platform following installation. The identity and contact information of the Global project manager or information technology team must be provided in **Exhibit G**. Should the need for substitution occur all substitutions of Project Managers designated positions shall be approved by the City of Grass Valley, Director of Public Works / City Engineer or his/her designee.

10. INSTALLATION SUPPORT; TRAINING; TESTING

- 10.1. Onsite support for the implementation of and access to the Platform at Customer's headquarters location is included within the fees as specified in **Exhibit A**. Support will be provided by Global on an "as needed" basis during the installation and implementation phase, which will be in accordance with a separate, estimated written timetable that will be attached to the individual scope of services as set forth in **Exhibit I**. If Customer requests additional support, Global reserves the right to charge for the additional support, at Global's expenses and the hourly rates set forth in **Exhibit J** or as otherwise agreed to in writing.
- 10.2. Support Services must be provided in accordance with the **Exhibit B**.
- 10.3. Deleted.
- 10.4. Testing of the Platform will be to the standards provided for in **Exhibit F, Standard Acceptance Testing and Expectations**. Upon satisfaction of the standards in **Exhibit F**, Global and Customer project manager must execute **Exhibit F**.
- 10.5. Global must provide Customer with the appropriate training for Customer's personnel as set forth in **Exhibit E, Standard Training Outline and Acceptance of Training**, upon written request by Customer. The written request for Global to provide training must be provided at least 15 days in advance. Unless otherwise stated in **Exhibit E**, Global's obligation to provide the training in **Exhibit E** will expire within 180 days of the completion of **Exhibit F, Standard Acceptance Testing and Expectations**.
- 10.6. Upon completion of training in **Exhibit E** if requested by Customer, Global and Customer project manager must execute **Exhibit E, Standard Training Outline and Acceptance of Training**.

11. PROPRIETARY AND INTELLECTUAL PROPERTY RIGHTS.

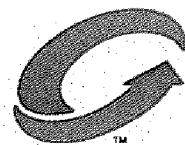
- 11.1. Customer acknowledges that the Platform and Global Documentation is considered by Global to be valuable trade secrets of Global or third-party providers. Global or its third-party providers are the sole and exclusive owner of the Platform and Global Documentation. The Access granted by this Agreement does not give Customer any ownership interest in the Platform or Global Documentation, but only the limited right to access and use the Platform and Global Documentation under the terms of this Agreement. This excludes the property conveyed to the City under the Program lease purchase agreement.



- 11.2. Customer agrees that it will not remove, alter, or otherwise obscure any proprietary rights notices appearing in the Platform or Global Documentation delivered to Customer under this Agreement.
- 11.3. The Platform or Global Documentation may include certain custom modifications made by Global in order to meet the Customer's expectation. Global will retain title to any custom modifications, and may, at its sole discretion and at any time, make changes, upgrades, updates, enhancements, or other modifications to the Platform or Global Documentation.

12. CONFIDENTIALITY

- 12.1. The Platform and Global Documentation must be considered Confidential Information of Global's for purposes of this Agreement, regardless of whether or not it is so marked. Except as permitted in this Agreement, Customer must not use, make, have made, distribute, or disclose any copies of the Platform or Global Documentation, in whole or in part, or the information contained therein without the prior written authorization of Global.
- 12.2. Upon the termination or expiration of this Agreement, Customer will comply with the provisions of Section 15.
- 12.3. Each party acknowledges that in the course of the performance of this Agreement, it may obtain the Confidential Information of the other party. The Receiving Party (as defined in Section 1.1(c) (Confidential Information)) must, at all times, both during the term of this Agreement and for 2 year period after termination keep in confidence and trust all of the Disclosing Party's (as defined in Section 1.3 (Confidential Information)) Confidential Information received by it (except for any source code, which shall be kept in confidence and trust in perpetuity). The Receiving Party must not use the Confidential Information of the Disclosing Party other than as expressly permitted under the terms of this Agreement. The Receiving Party must take reasonable steps to prevent unauthorized disclosure or use of the Disclosing Party's Confidential Information and to prevent it from falling into the public domain or into the possession of unauthorized persons. The Receiving Party must not disclose Confidential Information of the Disclosing Party to any person or entity other than its officers, employees, contractors, and consultants who need access to the Confidential Information in order to effect the intent of this Agreement. Those officers, employees, contractors, or consultants of the Receiving Party needing access to the Confidential Information to effect the intent of this Agreement will be bound by the same obligations as the Receiving Party. The Receiving Party must immediately give notice to the Disclosing Party of any unauthorized use or disclosure of Disclosing Party's Confidential Information. The Receiving Party agrees to assist the Disclosing Party to remedy such unauthorized use or disclosure of its Confidential Information.
- 12.4. The obligations set forth in Section 8 do not apply to the extent that Confidential Information includes information which is:



GLOBAL WATER

- (A) now or afterwards, through no unauthorized act or failure to act on the Receiving Party's part, in the public domain;
- (B) was in the Receiving Party's possession before receipt from the Disclosing Party and obtained from a source other than the Disclosing Party and other than through the prior relationship of the Disclosing Party and the Receiving Party
- (C) furnished to the Receiving Party by a third party as a matter of right and without restriction on disclosure
- (D) furnished to others by the Disclosing Party without restriction on disclosure;
- (E) independently developed by the Receiving Party without use of the Disclosing Party's Confidential Information; or
- (F) required to be disclosed by the City pursuant to the California Public Records Act, or another public disclosure law of similar effect.

12.5. Nothing in this Agreement prevents the Receiving Party from disclosing Confidential Information to the extent the Receiving Party is legally compelled to do so by any governmental, investigative, or judicial agency in accordance with proceedings over which the agency has jurisdiction; provided, however, that prior to any such disclosure, the Receiving Party must:

- (A) assert the confidential nature of the Confidential Information to the agency;
- (B) immediately notify the Disclosing Party in writing of the agency's order or request to disclose; and
- (C) cooperate fully with the Disclosing Party in protecting against any such disclosure.

Subsection (C) shall not require the Receiving Party to legally defend or be a party to any lawsuit or other legal action regarding disclosure of Confidential Information, the Parties expressly acknowledging that legal defense of any Confidential Information shall remain the duty of the Disclosing Party.

13. WARRANTY

13.1. Global warrants that the access to the Platform will function for its intended use as documented in **Exhibit I**. In the event the Platform fails to function for its intended use, in whole or in part, and Global is unable to cure the failure within the time frames set forth Section 13 of this Agreement, Customer may terminate this Agreement for default pursuant to Section 15 of this Agreement. This power to terminate this Agreement by Customer does not include the power to terminate the California Equipment Lease/Purchase Agreement (**Exhibit B**).

13.2. Except as provided for in Section 9.1, Global nor its third-party providers make any warranties, terms, or conditions, either express, implied or statutory, as to the



Platform or the Global Documentation or as to any other matter whatsoever with respect to the subject matter of this Agreement, and the Platform or the Global Documentation and all other items furnished or made available under this Agreement are provided "as is". In addition and except as provided for in Section 9.1, Global disclaims and excludes any and all warranties, whether statutory, express or implied, including without limitation the implied warranties of merchantability, fitness for a particular purpose, non-infringement, course of dealing, and course of performance.

14. PATENT AND COPYRIGHT INDEMNITY.

- 14.1. Global must indemnify, defend and hold harmless Customer and its officers, directors, employees, agents, and representatives from and against those damages, losses, liabilities, judgments, awards, costs, and expenses of any nature whatsoever, including reasonable attorney's fees and court costs incurred by Customer solely arising from:
- (A) any claim that Customer's use of the Platform or Global Documentation, or any of its components, infringes any patent, copyright, trade secret, trademark, or any other proprietary rights of any kind; or
 - (B) any misappropriation, misuse, or disclosure of any of Grass Valley's Confidential Information by Global or any of its employees, contractors, or agents.
- 14.2. Customer must promptly notify Global in writing of any claim arising under Section 10.1. Under no circumstances will Global be liable for any consequential, special, or punitive damages for any reason.

15. INDEMNIFICATION

- 15.1. Global must indemnify and defend Grass Valley and each council member, officer, employee, or agent (Grass Valley and any such person being called a "Grass Valley Indemnified Party"), from and against all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the costs of appellate proceedings) to which any such Grass Valley Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof) solely relate to, arise out of, or are caused by or based upon the gross negligence or intentional misconduct of Global, its officers, employees, or agents in connection with the information provided to Global for establishing the Platform for Grass Valley under this Agreement.
- 15.2. Grass Valley agrees to indemnify and defend Global, its affiliates, managers, directors, members, officers, agents, and employees (the "Global Indemnified Party") from and against all claims, damages, losses and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the cost of appellate proceedings) to which any such Global Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof)



solely relate to, arise out of, or are caused by or based upon the gross negligence or intentional misconduct of Grass Valley, its council members, officers, employees, or agents, in connection with Grass Valley's use of the Platform; provided that Grass Valley's use of the Platform is in accordance with the terms of this Agreement.

16. LIMITATION OF LIABILITY

- 16.1. Neither Global nor its third-party providers will have any liability for incidental, consequential, indirect, special or punitive damages, or liabilities of any kind or for loss of revenue, loss of business, or other financial loss arising out of or in connection with this Agreement, regardless of the form of the action, whether in contract, tort (including negligence), strict product liability or otherwise, even if any representative of a party to this Agreement has been advised of the possibility of such damages and even if any limited remedy specified in this Agreement is considered to have failed of its essential purpose.
- 16.2. Customer acknowledges that the allocation of risk in this Agreement is consistent with software industry pattern and practice and is an integral part of the consideration for this Agreement, without which Global would be unable to provide the Platform and related services at the prices specified. Except for Global's indemnification in Sections 10 and 11.1, Global's entire liability for damages in connection with this Agreement must not exceed the amounts committed to by Customer to Global under this Agreement for any single year of the agreement.

17. DEFAULT

- 17.1. Failure or unreasonable delay by any Party to perform or otherwise act in accordance with any non-monetary, material provision of this Agreement for a period of thirty (30) days after written notice from the non-breaching Party ("Cure Period"), constitutes a default under this Agreement. The notice shall specify the nature of the alleged default.
- 17.2. If the failure or delay is such that more than thirty (30) days would reasonably be required to perform such action or comply with any term or provision, then such Party will have additional time as may be necessary to perform or comply so long as such Party completes such performance or fulfills such obligation not more than sixty (60) days after written notice from the non-breaching Party. Notwithstanding the above, the Parties may mutually agree, in writing, to a longer Cure Period.
- 17.3. In the event such default is not cured within the Cure Period, the Agreement may be terminated by the Party not in default in accordance with Section 15.1.

18. REMEDIES.

- 18.1. Either party's breach or violation of the other party's intellectual property rights or Confidential Information may cause irreparable injury to such other party for which such other party may not have an adequate remedy at law. Under those circumstances, each party shall have the right to seek injunctive relief from a court of



competent jurisdiction for a breach of any obligation of confidentiality; infringement, misappropriation, or misuse of any intellectual property right; or any other claim where interim relief from the court is sought to prevent serious and irreparable injury to one of the parties or to others.

- 18.2. Except as provided for in Section 14.1, Global may exercise its rights and remedies, at law and in equity, for a breach of this Agreement by Customer.

19. TERMINATION.

- 19.1. Either Party may terminate this Agreement, only for default and, only after complying with the provisions of Section 13 in the event of a non-monetary default and Section 3.2 in the event of a monetary default, by providing thirty (30) days written notice to the defaulting Party.

- 19.2. Within fifteen (15) days after termination or expiration of this Agreement under any circumstances, the following event must occur:

- (A) The Access and other provisions of this Agreement are terminated.
- (B) Customer's use of the Platform is terminated.
- (C) Customer must return to Global or destroy all copies of the Global Documentation, and shall delete or destroy all portions or excerpts of the Platform or Global Documentation contained, commingled, or incorporated in any form with Customer's information and electronic systems, including electronic data files and magnetically encoded media, so that neither Customer nor any of Customer's affiliates retain any of the Platform or Global Documentation in whole or in part. Upon request, Customer must certify in writing the complete return or destruction of the Platform or Global Documentation within 30 days of the request.
- (D) Within fifteen (15) days after termination of the Access, Global must either return to Customer or destroy all copies of the Customer data and documentation, including electronic data files and magnetically encoded media, such that neither Global nor any of Global's affiliates retain any of the Customer's data in whole or in part. Upon request, Global must certify such complete return or destruction in writing to Customer within 30 days of the request.

- 19.3. Notwithstanding any provision to the contrary, neither the termination nor expiration of this Agreement relieves either party from its obligations to pay the other any sums accrued under this Agreement.

20. ASSIGNMENT.

- 20.1. Customer cannot assign or transfer this Agreement, the Access, or any other rights granted by this Agreement, whether by operation of law or otherwise.



- 20.2. Global shall not assign or transfer this Agreement without written acceptance of the Customer, which shall not be unreasonably withheld, conditioned, or delayed, excluding the lease purchase portion of the Agreement which is assignable at execution of this Agreement.

21. DISPUTE RESOLUTION.

- 21.1. In the event that any dispute arises between the Parties, the Parties must attempt in good faith to identify a neutral third-party acceptable to both Parties who is experienced in matters such as those provided for in this Agreement, and request that person to mediate the dispute. In the event that such mediation is not undertaken and successfully concluded within 60 days after the dispute arises, the Parties to any such dispute may pursue those rights, remedies, and causes of actions provided for in this Agreement.

22. NOTICES

- 22.1. Any notice provided for or permitted under this Agreement will be treated as having been given when (a) delivered personally, (b) sent by confirmed fax, (c) sent by commercial overnight courier with written verification of receipt, or (d) mailed postage prepaid by certified or registered mail, return receipt requested, to the party to be notified, at the address set forth below, or at such other place of which the other party has been notified in accordance with the provisions of this Section 18.1.

If to Customer: City of Grass Valley
Attn: Tim Kiser
125 E. Main Street
Grass Valley, CA 95945

With a copy to: Ruthann G. Ziegler
555 Capitol Mall
Suite 1200
Sacramento CA 95814

If to Global: Global Water Management, LLC
Attn: Cindy Liles
21410 N. 19th Ave., Ste. 201
Phoenix, Arizona, 85027
Facsimile: (623) 580-9659

With a copy to: Burch & Cracchiolo, P.A.
Attn: Andrew Abraham
702 E. Osborn, Suite 200
Phoenix, Arizona 85014
Facsimile: (602) 234-0341



23. MISCELLANEOUS.

- 23.1. Survival. The Parties agree that the terms of Sections 7 (Proprietary and Intellectual Property Rights), 8 (Confidentiality), 10 (Patent and Copyright Indemnity), 11 (Indemnification) and 12 (Limitation of Liability) will survive the expiration or termination of this Agreement for a 1 year period.
- 23.2. Severability. If any provision of this Agreement is declared void or unenforceable (or is construed as requiring any Party to do any act in violation of any constitutional provision, law, regulation, rule or municipal code or ordinance), in whole or in part, such provision shall be deemed severed from this Agreement and this Agreement shall otherwise remain in full force and effect; provided, however, that this Agreement shall retroactively be deemed reformed to the extent reasonably possible in such a manner so that the reformed Agreement provides essentially the same rights and benefits (economic and otherwise) to the Parties as if such severance and reformation were not required. The Parties further agree, in such circumstances, to do all acts and to execute all amendments, instruments, and consents necessary to accomplish and to give effect to the purposes of this Agreement, as reformed.
- 23.3. Attorneys' Fees. The prevailing party in any litigation in connection with this Agreement may recover its attorneys' fees and costs from the losing party.
- 23.4. No Third Party Beneficiaries. No person or entity shall be a third party beneficiary to this Agreement.
- 23.5. Recitals. All of the recitals set forth above are incorporated into and made an integral part of this Agreement for all purposes by this reference
- 23.6. Integration. This Agreement constitutes the entire agreement between the Parties with respect to, and supersedes any prior agreement, understanding, negotiation or representation regarding, the subject matter of this Agreement. There are no representations, warranties, understandings or agreements other than those expressly set forth in this Agreement. The Parties expressly acknowledge and agree that any discussion outlines utilized during the course of negotiations do not constitute binding agreements of the Parties and must not be utilized to interpret or construe any provision of this Agreement
- 23.7. Further Assurances. Each Party agrees to perform such further acts and to execute and deliver such additional agreements, documents, acknowledgments, and instruments as any other Party may reasonably require consummating, evidencing, confirming, or carrying out the transactions contemplated by this Agreement.
- 23.8. Relationship of Parties. No partnership, joint venture or other business relationship is established among the Parties to this Agreement. Except as expressly provided in this Agreement, no Party shall be liable for any acts, omissions or negligence on the part of any other Party or such other Party's employees, agents, independent contractors,



agents or successors-in-interest resulting in either personal injury, economic loss, or property damage to any individual or entity.

- 23.9. Amendment. The terms, conditions, and representations of the Parties contained in this Agreement may not be orally amended, modified, or altered. This Agreement may be modified only if done in writing, signed by the Parties.
- 23.10. Force Majeure. A Party's obligations under this Agreement may be suspended by a Party in the event of (a) an occurrence beyond the reasonable control of that Party which materially adversely affects the ability of that Party to perform its obligations hereunder or to comply with the requirements of any governmental order, permit or other approval; (b) acts of God, landslides, lightning, earthquakes, hurricanes, tornadoes, severe weather, fires, explosions, floods, acts of a public enemy, war, terrorist acts, blockades, insurrections, riots or civil disturbances; (c) labor disputes, strikes, work slowdowns or work stoppages; or (d) orders and/or judgments of any federal, state or local court, administrative agency or governmental body, or other entity, if not the result of (i) willful misconduct or negligent action of the Party relying thereon or (ii) failure to act in accordance with this Agreement; provided, however, that the contesting in good faith by such Party of any such order and/or judgment shall not constitute or be construed to constitute willful misconduct or a negligent action or inaction of such Party.
- 23.11. Governing Law. The terms of this Agreement must be construed in accordance with and governed by the laws of the State of California, with venue lying in Nevada County, California.
- 23.12. Counterparts. This Agreement may be executed by signing in counterparts. The execution by all of the Parties to the Agreement by each signing a counterpart of this instrument constitutes a valid execution, and this instrument and all of its counterparts so executed must be considered for all purposes to be a single instrument.
- 23.13. Inurement. This Agreement inures to the benefit of and is binding upon the Parties, their successors, and assigns.
- 23.14. Paragraph Headings. The paragraph headings are for convenience only, are not part of this Agreement, do not to limit or alter any provision, and are not relevant in construing this Agreement.

IN WITNESS WHEREOF, the authorized representatives of Customer and Global have duly executed this Agreement as of the date below.

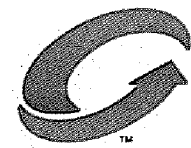
THE CITY OF GRASS VALLEY, a
California
municipal corporation

Name: _____

Its: _____

By: _____

Date: _____



GLOBAL WATER

GLOBAL WATER MANAGEMENT, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

Date: _____



EXHIBIT A

SCHEDULE OF SELECTED SERVICES AND FEES

This schedule defines the services to be provided and the fees to be paid for these services (the “Base Fee”). These Base Fees shall be paid monthly based on the number of AMI registers in service, service locations or as detailed in Exhibit C. Scopes of Services are included in Exhibit I – Scopes of Services and for this agreement include:

- AMI – Automatic Meter Reading
- EIS – Engineering Information Systems
- CIS – Customer Information Systems

Financed Capital Fees:

At signature of this agreement, the City may opt to pay all financed capital fees and decline the financing provided in Exhibit C.

Advanced Meter Infrastructure Capital Fee:	\$1,657,510
Customer Information Systems Capital Fee:	\$157,888
Asset Management Capital Fee:	\$239,756

These capital fees will be paid in accordance with Exhibit C.

Services Fees:

Services fees are based on the either the number of service locations or the number of AMI modules in service and charged on a price per unit per month basis. The number of units shall be reviewed annually and changes will become effective on July 1st of each year of the agreement. In the event, the number of units increases or decreases by 5% of the first years estimated units or from the effective date of the most recent AMI inventory adjustment whichever occurs last a review and adjustment will be conducted and become effective upon the first regular billing date following an inventory agreement of the parties or within 30 calendar days whichever occurs first.

Advanced Meter Infrastructure Service Fees:

Invoicing Units = Number of AMI modules in service

Service Fee = \$0.97 per AMI module per month

Year one units = 2400 AMI modules

Annualized first year services fee = \$27,738.96

Customer Information System Services Fees:

Invoicing Units = Number of Service Locations

Service Fee = \$3.41 per Service Location per month

Year one units = 4429 Service Locations



Annualized first year services fee = \$181,279.73

Asset Management Services Fees:

Invoicing Units = Number of Service Locations

Service Fee = \$1.29 per Service Location per month

Year one units = 4429 Service Locations

Annualized first year services fee = \$68,130.04

Interest and late fees = 1.5% per month shall be charged as a late fee. Late payment status is defined as a unpaid balance status 30 calendar after the invoice date. Any balance unpaid for a period of 3 months shall incur additional interest at 10% per month.

Inflation adjuster factor = All fees shall be adjusted annually on July 1st based on the Consumer Price Index for March of the then current year, per the Agreement. Consumer Price Index is defined as the Consumer Price Index – United States City Average – for All Urban Consumers and all Items published by the United States Department of Labor, Bureau of Labor Statistics (“Index”), with the Index beginning in March 2012. If the Index is discontinued or revised during the term of this Agreement, such other government index or computation with which it is replaced shall be utilized, and modified as necessary, to obtain substantially the same result as would be obtained if the Index had not been so discontinued or revised.

The adjustment will be negotiated each year, with the first increase occurring on July 1, 2013. In March of each year of the agreement the City and Global will negotiate the percentage increase based on documentation provided by Global. The baseline percentage increase range for a given year is between zero percent and the increase in the CPI (not to exceed 5% per year). Written notice of the agreed upon increase shall be provided by Global to the City. Any adjustments shall not apply to any Financed Capital Fees.

EXHIBIT B

SUPPORT SERVICES

1. COVERAGE

Global shall provide Support Services for the use of the Access, including all modifications created by Global whether or not they are exclusive to Customer until terminated or discontinued by Global. The Support Services to be provided by Global shall not include (a) support of software operation on equipment not identified by Global as an authorized device, (b) support of software not supplied by Global, (c) support of software not properly used or used in an operation environment not designated by Global, or (d) support of business processes not identified during the implementation of the project.

Customer shall designate those employees of Customer who shall be authorized to contact Global for provision of Support Services, and shall maintain and provide Global with an updated listing of employees, including their telephone, fax and pager numbers and e-mail addresses. Only those employees so designated by Customer shall contact Global for the provision of Support Services. In addition, Global shall designate those employees of Global who Customer may contact for provision of Support Services, and shall maintain and provide Customer with an updated listing of employees, including their telephone, fax, and e-mail addresses.

2. SOFTWARE MAINTENANCE

The following maintenance releases will be issued by Global from time to time in Global's discretion to subscribers of Support Services:

- a. Fixes to Errors;
- b. Updates;
- c. Enhancements contained within new releases
- d. New Release; and
- e. New versions of the Software and/or Platform

Maintenance releases contain proprietary and confidential information and are provided to Customer for Customer's internal use only, subject to the same restrictions and limitations as provided in the Agreement with respect to confidential information.

3. DCU MAINTENANCE

Global will act diligently towards repairs and maintenance activities that effect the proper and efficient operation of the Platform and AMI network. The following maintenance activities are routine in nature and will be performed at Global's discretion to support the AMI network:

- a. Updates and Fixes to DCU firmware
- b. Maintain solar panels
- c. Replace old batteries
- d. Replace DCU's damaged or rendered non functional due to natural causes, excluding vandalism or unauthorized access to the DCU's

EXHIBIT C
CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT

CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT No.5644
BY AND BETWEEN
Lessor, Government Capital Corporation (on behalf of Global Water Management, LLC)
and Lessee, City of Grass Valley
Dated as of January 25, 2011

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<u>Page</u>	<u>Description of Document</u>
2-12	California Equipment Lease/Purchase Agreement
A-1	Exhibit A-1 (Description of Property)
A-2	Exhibit A-2 (Schedule of Payments & Option to Purchase Price)
B	Exhibit B (Certificate of Acceptance)
C-1	Exhibit C-1 (Certificate of Clerk)
D	Exhibit D (Opinion of Counsel to Lessee)
E	Exhibit E (Essential Use/Source of Funds Certificate)
	Tax and Arbitrage Certificate
	Acquisition Fund and Account Control Agreement
	Schedule 1 (Disbursement Request and Partial Acceptance Certificate)

CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT

DATED JANUARY 25TH, 2011

This Equipment Lease/Purchase Agreement **No. 5644** (the "Lease") by and between **Government Capital Corporation** ("Lessor"), and the **City of Grass Valley**, a Municipal Corporation of the State of California ("Lessee").

WITNESSETH:

WHEREAS, Lessee desires to lease and acquire from Lessor certain Equipment described in Exhibit A-1 subject to the terms, conditions, and purposes of this Lease; and in the event of a conflict the terms of Exhibit A-1 prevail; and

WHEREAS, Lessee is authorized under the constitution and laws of the State of California to enter into the Lease and the Exhibits for the purposes provided in this Lease;

NOW, THEREFORE, for good and valuable consideration, receipt of which is acknowledged and in consideration of the promises contained in this Lease, the parties agree as follows:

ARTICLE I

Section 1.01. Definitions. The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"*Acquisition Fund*" means, with respect to the Lease, the fund established and held by the Acquisition Fund Custodian under the Acquisition Fund and Account Control Agreement, if any.

"*Acquisition Fund and Account Control Agreement*" means, with respect to the Lease, an Acquisition Fund in form and substance acceptable to and executed by Lessee, Lessor, and the Acquisition Fund Custodian, under which an Acquisition Fund is established and administered.

"*Acquisition Fund Custodian*" means the Acquisition Fund Custodian identified in any Acquisition Fund and Account Control Agreement, and its successors and assigns.

"*Acquisition Period*" means, with respect to the Lease, that period stated in the Acquisition Fund and Account Control Agreement, attached to this Lease, during which the Lease Proceeds attributed to this Lease may be expended on Equipment Costs.

"*Code*" means the Internal Revenue Code of 1986, as amended. Each reference to a Section of the Code shall include the United States Treasury Regulations proposed or in effect thereunder.

"*Equipment*" means the property listed in the Lease and all replacements, repairs, restorations, modifications, and improvements made pursuant to Section 8.01 or Article V. Whenever reference is made in the Lease to Equipment, such reference shall include all such replacements, repairs, restorations, modifications, and improvements to such Equipment.

"*Equipment Costs*" means the total cost of the Equipment listed in the Lease, including all delivery charges, installation charges, capitalizable consulting and training fees approved by Lessor, legal fees, financing costs, and other costs necessary to vest full, clear legal title to the Equipment in Lessor, or otherwise incurred in connection with the financing provided by the lease-purchase of the Equipment as provided in this Lease.

"*Event of Default*" means an Event of Default described in Section 12.01.

"*Event of Taxability*" means one of the following determinations made in regard to section 103 of the Code (as defined herein) to the effect that by reason of any action or inaction by the Lessee or any violation by the Lessee of any of its covenants or representations in this Agreement or any misrepresentation in any certificate furnished in connection therewith, the interest component under this Agreement is includable in the gross income of owner of such obligation: (i) a final determination, decision, or decree by the Commissioner or any District Director of Internal Revenue, or by any court of competent jurisdiction, which is not subject to further review, or (ii) an opinion of a nationally recognized bond counsel furnished by the Lessor to the Lessee.

"*Exhibit*" means each separately lettered Exhibit, as in the Description of Property referenced to as Exhibit A-1 together with a Schedule of Payments & Option to Purchase Price attached as Exhibit A-2.

"*Expense Fund*" means, with respect to the Lease, the fund established and held by the Acquisition Fund Custodian under the Acquisition Fund and Account Control Agreement, if any.

"*Financed Amount*" means the amount specified in the Lease and represented by Lessee to be sufficient to acquire the Equipment listed in the Lease, which amount shall be not less than \$100,000 for the Lease.

"Lease" means this Equipment Lease/Purchase Agreement, including its exhibits, together with any amendments and modifications to the Lease pursuant to Section 13.05.

"Lease Payments" means the basic Lease payments payable by Lessee under the Lease pursuant to Section 4.01, in each case consisting of a principal component and an interest component.

"Lease Proceeds" means the total amount of money to be paid by Lessor to the Acquisition Fund Custodian for deposit and application in accordance with the Lease and the Acquisition Fund Agreement.

"Lease Term" for the Lease shall begin on the Loan Date and continue as specified in Exhibit A-2.

"Lessee" means the **City of Grass Valley**, a Municipal Corporation of the State of California.

"Lessor" means (a) **Government Capital Corporation** or (b) any assignee or transferee of any right, title, or interest of Lessor in and to the Equipment under the Lease (including Lease Payments) pursuant to Section 11.01, but does not include any entity solely by reason of that entity retaining or assuming any obligation of Lessor to perform under the Lease.

"Loan Date" means the date when Lessee's obligation to pay commences under the Lease, which date shall be the earlier of (i) the date on which the Equipment listed in the Lease is accepted by Lessee in the manner described in Section 5.01, or (ii) the date on which sufficient moneys to purchase the Equipment listed in the Lease are deposited with an Acquisition Fund Custodian.

"Option to Purchase Price" means, with respect to the Equipment listed on the Lease, the amount that Lessee may pay to Lessor to purchase such Equipment as provided in the Lease.

"State" means the State of California.

"Taxable Rate" means the interest rate representing the equivalent yield to the Lessor of the tax-exempt interest rate under this Agreement if the interest component of the Lease Payments is included in the gross income of the Lessor under the Code.

"Utilization Period" means the date by which Lessee must deliver an Acceptance Certificate for the Equipment under the Lease as indicated in Section 3.05(b).

"Vendor" means the manufacturer or supplier of the Equipment or any other person as well as the agents or dealers of the manufacturer or supplier from whom Lessor arranged Lessee's acquisition and financing of the Equipment pursuant to the Lease.

ARTICLE II

Section 2.01. Representations and Covenants of Lessee. Lessee represents, covenants, and warrants for the benefit of Lessor on the date hereof and as of the Loan Date of the Lease as follows:

(a) Lessee is a municipal entity and as such is a state or a political subdivision within the meaning of Section 103(c) of the Code, duly organized and existing under the constitution and laws of the State with full power and authority to enter into this Lease and the transactions contemplated and to perform all of its obligations under this Lease.

(b) Lessee has duly authorized the execution and delivery of the Lease by proper action of its governing body at a meeting duly called, regularly convened, and attended throughout by a quorum of its members, or by other appropriate official approval, and all requirements have been met and procedures have occurred in order to ensure the validity and enforceability of the Lease.

(c) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists at the date hereof.

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

(e) Lessee has complied with such public bidding or other competitive requirements as may be applicable to the Lease and the acquisition by Lessee of the Equipment as provided in the Lease.

(f) During the Lease Term, the Equipment will be used by Lessee only for the purpose of performing essential governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority. Lessee does not intend to sell or otherwise dispose of the Equipment or any interest therein prior to the last Lease Payment (including all Renewal Terms) being paid under the Lease.

(g) Lessee shall keep its books and records in accordance with generally accepted accounting principles and practices consistently applied and shall deliver to Lessor:

(i) annual audited financial statements, including (1) a balance sheet, (2) statement of revenues, expenses, and changes in fund balances for budget and actual, (3) statement of cash flows and notes, and (4) Exhibits and attachments to the financial statements within 180 days of its fiscal year end,

(ii) such other financial statements and information as Lessor may reasonably request, and

(iii) its annual budget for each fiscal year throughout the Lease Term within 90 days after the beginning of such fiscal year.

Such annual audited financial statements shall be accompanied by an unqualified opinion of Lessee's auditor. Credit information relating to Lessee may be disseminated among Lessor and any of its affiliates and any of their respective successors and assigns.

(h) Lessee has kept, and throughout the Lease Term of the Lease will keep, its books and records in accordance with generally accepted accounting principles.

(i) Lessee has an immediate need and expects to make immediate use of the Equipment listed on Exhibit A-1. Lessee's need for the Equipment is not temporary and Lessee does not expect the need for any item of the Equipment to diminish during the Lease Term.

(j) The payment of the Lease Payments or any portion thereof is not, under the terms of the Lease or any underlying arrangement, directly or indirectly (x) secured by any interest in property used or to be used in any activity carried on by any person other than a state or local governmental unit or payments with respect to such property; or (y) on a present value basis, derived from payments (whether or not to Lessee) with respect to property, or borrowed money, used or to be used in any activity carried on by any person other than a state or local governmental unit. The Equipment will not be used, directly or indirectly, in any activity carried on by any person other than a state or local governmental unit. No portion of the Equipment Costs for the Equipment will be used, directly or indirectly, to make or finance loans to any person other than Lessee

(k) There is no pending litigation, tax claim, proceeding, or dispute that may adversely affect Lessee's financial condition or impairs its ability to perform its Lease obligations. Lessee will, at its expense, maintain its legal existence in good standing and do any further act and execute, acknowledge, deliver, file, register, or record any further documents Lessor may reasonably request in order to protect Lessor's interest in the Equipment and Lessor's rights and benefits under this Lease.

ARTICLE III

Section 3.01. Lease of Equipment. Subject to the terms of this Lease, Lessor agrees to provide the funds specified in the Lease for Lessee to acquire the Equipment, up to an amount equal to the total Financed Amount. Upon the execution of the Lease, Lessor demises, leases, transfers and lets to Lessee, and Lessee acquires and leases from Lessor, the Equipment as set forth in the Lease in accordance with this Lease.

Section 3.02. Continuation of Lease Term. Lessee agrees, subject to Section 3.03, to continue the Lease Term and to make the Lease Payments as required under this Lease. Lessee affirms that sufficient funds are available to make the Lease Payments which are due and payable for the current fiscal year. Lessee reasonably believes that an amount sufficient to make all Lease Payments for the Lease Term can be obtained from legally available funds. Lessee further intends to do all things lawfully within its power to obtain and maintain funds sufficient and available to make the Lease Payments as required, including making provisions for such payments to the extent necessary in each budget or appropriation request submitted and adopted in accordance with applicable provisions of law, having such portion of the budget or appropriation request approved, and exhausting all available reviews and appeals in the event such portion of the budget or appropriation request is not approved.

Section 3.03. Abatement. During any period in which, by reason of material damage, destruction, taking under the power of eminent domain (or sale to any entity threatening the use of such power), or material title defect with respect to any Equipment, there is a substantial interference with the use and possession by Lessee of such Equipment, then the payment applicable to such Equipment shall be abated proportionately in whole or in part. Lessee shall immediately notify Lessor upon the occurrence of any event causing substantial interference with Lessee's use and possession of any Equipment. The notice shall be provided prior to the abatement of any payment with respect to the affected Equipment. The amount of abatement shall be such that the remaining Lease obligation for each Lease period represents fair consideration for the use and possession of the portions of the Equipment that are not affected by the interference. The abatement shall commence on the date that Lessee's use and possession of the affected Equipment is restricted because of the interference and end on the earlier of (i) the date on which the use and possession thereof are restored to Lessee, or (ii) the date on which Lessee either (x) replaces the affected Equipment or (y) uses the proceeds of insurance or condemnation award to pay the applicable Option to Purchase Price. Notwithstanding any interference with Lessee's use and possession of a portion of the Equipment, this Lease shall continue in full force and effect with respect to any remaining

Equipment. Lessee waives the benefits of Civil Code Sections 1932 and any and all other rights to terminate this Lease by virtue of any interference with the use and possession of any Equipment.

Section 3.04. Conditions to Lessor's Performance.

(a) As a prerequisite to the performance by Lessor of any of its obligations pursuant to the Lease, Lessee shall deliver to Lessor the following:

- (i) All fully completed Exhibits, executed by Lessee;
- (ii) An Acquisition Fund and Account Control Agreement, executed by Lessee, unless Lessor pays 100% of the Financed Amount directly to the Vendor upon execution of the Lease;
- (iii) A certificate executed by the Clerk, Secretary, or other comparable officer of Lessee, in substantially the form attached hereto as Exhibit C, completed to the satisfaction of Lessor;
- (iv) A certified copy of a resolution or other official action of Lessee's governing body authorizing the execution and delivery of this Lease, Exhibits, Acquisition Fund and Account Control Agreement, or other necessary documents to effectuate the intent of this Lease, and the performance by Lessee of its obligations;
- (v) An opinion of counsel to Lessee in substantially the form attached as Exhibit D concerning the Lease;
- (vi) Evidence of insurance as required by Section 7.02;
- (vii) All documents, including financing statements, affidavits, notices, and similar instruments, in form satisfactory to Lessor, which Lessor deems reasonably necessary or appropriate at that time pursuant to Section 6.01 and 6.02;
- (viii) A copy of a fully completed and executed Form 8038G;
- (ix) An Essential Use/Source of Funds Certificate in substantially the form attached as Exhibit E; and
- (x) Such other items, if any, as are set forth in the Lease or are reasonably required by Lessor.

(b) In addition, the performance by Lessor of any of its obligations under the Lease shall be subject to: (i) no material adverse change in the financial condition of Lessee since the date of the Lease, (ii) no Event of Default having occurred by Lessee, and (iii) if no Acquisition Fund has been established, the Equipment must be accepted by Lessee no later than 360 days from loan date (the "Utilization Period").

(c) Subject to satisfaction of 3.04(a) and (b), Lessor will pay the Financed Amount for Equipment described in Exhibit A-1 to the Vendor upon receipt of the documents described in Sections 5.01(a) and (b), or if an Acquisition Fund has been established in accordance with an Acquisition Fund and Account Control Agreement, Lessor will deposit the Financed Amount for Equipment described in Exhibit A-1 with the Acquisition Fund Custodian.

(d) This Lease is not a commitment or agreement for Lessor to provide additional financing beyond what is currently required by this Lease to Lessee. Nothing in this Lease can be construed to impose any future obligation or requirement for Lessor to provide additional financing to Lessee.

(e) Lessee will cooperate with Lessor in Lessor's review of this Lease. Without limiting the foregoing, Lessee will provide Lessor with any documentation or information Lessor may reasonably request in connection with Lessor's review of this Lease. Such documentation may include, without limitation, documentation concerning the Equipment and its contemplated use and location and documentation or information concerning the financial status of Lessee and other matters related to Lessee's ability to perform its obligations under the Lease.

ARTICLE IV

Section 4.01. Lease Payments. Lessee shall promptly pay Lease Payments, in lawful money of the United States of America, to Lessor on the dates and in such amounts as provided in the Lease. Any amount not received when due will bear interest at the rate of 16% per annum or the maximum amount permitted by law, whichever is less, from the date the amount was due. Lessee shall not permit the federal government to guarantee any Lease Payments under the Lease. Lease Payments consist of principal and interest payments as more fully detailed on Exhibit A-2, with interest accruing on the Loan Date.

Section 4.02. Interest and Principal Components. A portion of each Lease Payment is paid as, and represents payment of, interest, and the balance of each Lease Payment is paid as, and represents payment of, principal. The Lease shall set forth the principal and interest components of each Lease Payment payable thereunder during the Lease Term.

Section 4.03. Lease Payments to Constitute a Current Expense of Lessee. The Lease Payments made by Lessee constitute a current expense of Lessee payable from its Water Capital Fund (or other funds that are legally available for that purpose) and shall not be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by Lessee. Nothing in this Lease shall constitute a pledge of the general tax revenues, funds, or moneys of Lessee.

Section 4.04. Lease Payments to be Unconditional. Except as provided in Section 3.03, the obligations of Lessee to make Lease Payments and to perform and observe the other covenants and agreements contained in the Lease shall be absolute and unconditional in all events without abatement, diminution, deduction, set-off, or defense, for any reason, including without limitation: any failure of the Equipment after it has been accepted by Lessee, any defects, malfunctions, breakdowns, or infirmities in the Equipment or any accident, condemnation, or unforeseen circumstances. Lessee's obligations to make Lease Payments or pay other amounts required under the Lease shall not be abated on account of obsolescence or failure of the Equipment to perform as intended.

Section 4.05. Tax Covenant. Lessee agrees that it will not take any action that would cause the interest component of Lease Payments to be or to become ineligible for the exclusion from gross income of the Lessor or its assigns for federal income tax purposes, nor will it omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest component of Lease Payments to be or to become ineligible for the exclusion from gross income of the Lessor or its assigns thereof for federal income tax purposes.

Section 4.06. Event of Taxability. Upon the occurrence of an Event of Taxability, the interest component shall be at a Taxable Rate retroactive to the date as of which the interest component is determined by the Internal Revenue Service to be includible in the gross income of the Lessor or its assigns for federal income tax purposes, and Lessee will pay such additional amount as will result in the owner receiving the interest component at the Taxable Rate identified in this Lease. For purposes of this Lease, "Taxable Rate," with respect to the interest component of Lease Payments, means an annual rate of interest equal to 6.55%.

For purposes of this Section, "Event of Taxability" means a determination that the interest component is includible for federal income tax purposes in the gross income of the owner thereof due to Lessee's action or failure to take any action.

Section 4.07. Mandatory Prepayment. If the Lease Proceeds are deposited into an Acquisition Fund, any funds remaining in it after the Acquisition Period has ended and not applied to Equipment Costs shall be applied by Lessor on the next Lease Payment date on a pro rata basis to the prepayment of the principal component of the outstanding Lease Payments due under the Exhibit A-2.

Section 4.08 Tax-Exemption Lessee certifies that it does not reasonably anticipate issuing more than \$10 Million of "qualified tax-exempt obligations," as that term is defined in Section 265 (b) 3 (D) of the Internal Revenue Code of 1986 ("the Code"), will be issued by it and any subordinate entities during 2011. Further, Lessee will, designate this issue as comprising a portion of the \$10 million in aggregate issues to be designated as "qualified tax exempt obligations" eligible for the exception contained in Section 265 (b) 3 (D) of the Code allowing for an exception to the general rule of the Code which provides for a total disallowance of a deduction for interest expense allocated to the carrying of tax exempt obligations.

ARTICLE V

Section 5.01. Delivery, Installation, and Acceptance of Equipment.

(a) Lessee shall order the Equipment, cause the Equipment to be delivered and installed at the location specified in the Lease, and pay any and all related delivery costs, installation costs, or other Equipment Costs. When the Equipment listed on Exhibit A-1 has been delivered and installed, Lessee must promptly inspect or test the Equipment as Lessee considers necessary. Following the successful inspection or successful testing Lessee must accept the Equipment and evidence said acceptance by executing and delivering to Lessor an acceptance certificate in the form attached as Exhibit B or Schedule 1 of the Acquisition Fund and Account Control Agreement.

(b) Lessee shall deliver to Lessor original invoices and bills of sale (if title to such Equipment has passed to Lessee) relating to each Equipment item accepted by Lessee. With respect to Equipment not purchased through an Acquisition Fund, Lessor shall, upon receipt of an Acceptance Certificate from Lessee, prepare a Description of Property ("Exhibit A-1") and Schedule of Payments & Option to Purchase Price ("Exhibit A-2"). Lessee shall execute and deliver such Exhibit A-1 and A-2 to Lessor within 5 business days of acceptance of the equipment.

Section 5.02. Enjoyment of Equipment. Lessor shall provide Lessee with quiet use and enjoyment of the Equipment during the Lease Term, and Lessee shall peaceably and quietly have, hold, and enjoy the Equipment during the Lease Term, without suit, trouble, or hindrance from Lessor, except as otherwise expressly set forth in the Lease. Lessor shall not interfere with the quiet use and enjoyment during the Lease Term so long as Lessee is not in default under the Lease provisions.

Section 5.03. Location; Inspection. Once installed, no Equipment item will be moved from the location specified for it in the Lease without Lessor's written consent, which consent shall not be unreasonably withheld. Lessor shall have the right at all reasonable times during regular business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

Section 5.04. Use and Maintenance of the Equipment. Lessee will not install, use, operate, or maintain the Equipment improperly, carelessly, in violation of any applicable law, or in a manner contrary to that contemplated by this Lease. Lessee shall provide all applicable permits and licenses necessary for the installation and operation of the Equipment. In addition, Lessee agrees to comply in all respects with all applicable laws, regulations, and rulings of any legislative, executive, administrative, or judicial body; provided that Lessee, upon written request and approval from Lessor may contest in good faith the validity or applicability of any such law, regulation, or ruling in any reasonable manner that does not, in the sole opinion of Lessor, adversely affect the Lessor's interest (including the reversionary interest) in the Equipment or its interest or rights under the Lease.

Lessee agrees that it will maintain, preserve, and keep the Equipment in good repair and working order, in accordance with manufacturer's recommendations. Neither Lessor nor its assigns shall have any responsibility to maintain, repair, or make improvements or additions to the Equipment.

Lessee shall not alter any Equipment item or install any accessory equipment or device on an item if such action would impair any applicable warranty, the Equipments originally intended use, or the Equipment's value without the written consent of Lessor. Any repairs, parts, accessories, equipment, and devices furnished, affixed to, or installed on any Equipment, excluding temporary replacements, shall become subject to the Lessor's interest.

ARTICLE VI

Section 6.01. Title to the Equipment. During the Lease Term, and so long as Lessee is not in default, all right, title, and interest in and to each item of Equipment shall be vested in Lessee. In the event of default by Lessee, title will automatically revert to Lessor free of any other right, title, or interest. Lessee agrees to execute any documents necessary to evidence title to the Equipment in Lessor's name in the event of a default by Lessee. In such event of Lessee default, Lessee shall at all times protect and defend, at its sole cost and expense, Lessor's title in and to the Equipment from and against all claims, liens, and legal processes of its creditors, and keep all Equipment free and clear of all claims, liens, and processes. Upon expiration of the Lease Term, title to the Equipment shall remain, unconditionally, with Lessee.

Section 6.02. Security Interest. As security for the payment of all of Lessee's obligations under the Lease, upon the execution of this Lease, Lessee grants to Lessor a security interest constituting a first lien on (a) the Equipment to this Lease, (b) moneys and investments held from time to time in the Acquisition Fund, and (c) any and all proceeds of any of the foregoing. Lessee agrees to execute and authorizes Lessor to file such notices of assignment, chattel mortgages, financing statements, and other documents, in form satisfactory to Lessor, which Lessor considers necessary or appropriate to establish and maintain Lessor's security interest in the Equipment, the Acquisition Fund, and the proceeds thereof.

Section 6.03. Personal Property. The Equipment is and will remain personal property and will not be considered to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Equipment or any part may be or become in any manner physically affixed or attached to the real estate or any building. Upon the request of Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the Equipment from any party having an interest in any real estate or building where the Equipment is located.

ARTICLE VII

Section 7.01. Liens, Taxes, Other Governmental Charges, and Utility Charges. Lessee shall keep the Equipment free of all levies, liens, and encumbrances not created by the Lease. The parties to this Lease contemplate that the Equipment will be used for a governmental or proprietary purpose of Lessee and that the Equipment will be exempt from all property taxes. If the use, possession, or acquisition of any Equipment is nevertheless determined to be subject to taxation, Lessee shall pay when due all taxes and governmental charges lawfully assessed or levied against the Equipment. Lessee shall pay all utility and other charges incurred in the use and maintenance of the Equipment. Lessee shall pay such taxes or

charges as the same may become due; provided that, with respect to any such taxes or charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as it accrues during the Lease Term. Additionally, Lessee agrees that it will not pursuant repayment of any taxes or charges required to be paid under this Section 7.01 from Lessor.

Section 7.02. Insurance. During the Lease Term Lessee shall maintain:

(a) casualty insurance naming Lessor and its assigns as additional insured and loss payee and insuring the Equipment against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State, and any other risks reasonably required by Lessor, in an amount at least equal to the then applicable Option to Purchase Price of the Equipment; If the City is self insured the City shall document the self insured status.

(b) liability insurance that protects Lessor from all liability in all events in a form and amount no less than required by State Law or \$500,000 whichever is greater.

(c) worker's compensation coverage as required by the laws of the State; *provided* that with Lessor's prior written consent, Lessee may self-insure against the risks described in clause (a). Lessee shall furnish to Lessor evidence of such insurance or self-insurance coverage throughout the Lease Term. Lessee shall not cancel or modify such insurance or self-insurance coverage in any way that would affect the interests of Lessor without first giving written notice thereof to Lessor at least 30 days in advance of such cancellation or modification.

Section 7.03. Advances. In the event Lessee shall fail to keep the Equipment in good repair and working order, Lessor may, but shall be under no obligation, to maintain and repair the Equipment and pay the cost thereof. All amounts so advanced by Lessor shall constitute additional payments for the Lease Term and Lessee covenants and agrees to pay such additional amounts with interest accruing at the rate of 16% per annum or the maximum amount permitted by law, from the due date until paid, whichever is less.

ARTICLE VIII

Section 8.01. Damage, Destruction, and Condemnation. Unless Lessee shall have exercised its option to purchase the Equipment by making payment of the Option to Purchase Price as provided in the Lease, if, prior to the termination of the Lease Term, (a) the Equipment or any portion is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Equipment or any part shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm, or corporation acting pursuant to governmental authority, Lessee and Lessor will cause the Net Proceeds of any insurance claim or condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification, or improvement of the Equipment. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee.

If Lessee elects to replace any item of the Equipment (the "*Replaced Equipment*") pursuant to this Section 8.01, the replacement equipment (the "*Replacement Equipment*") shall be of similar type, utility, and condition to the Replaced Equipment and shall be of equal or greater value than the Replaced Equipment. Lessee must represent, warrant, and covenant to Lessor that each item of Replacement Equipment is free and clear of all claims, liens, security interests, and encumbrances, excepting only those liens created by or through Lessor, and shall provide to Lessor any and all documents as Lessor may reasonably request in connection with the replacement, including, but not limited to, documentation in form and substance satisfactory to Lessor evidencing Lessor's title in the Replacement Equipment. Lessor and Lessee acknowledge and agree that any Replacement Equipment acquired pursuant to this paragraph shall constitute "Equipment" for purposes of this Lease. Lessee shall complete the documentation of Replacement Equipment on or before the next Lease Payment date after the occurrence of a casualty event, or be required to exercise the Option to Purchase with respect to the damaged equipment.

For purposes of this Article, the term "*Net Proceeds*" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees and costs, incurred in the collection.

Section 8.02. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification, or improvement referred to in Section 8.01, Lessee shall either (a) complete such replacement, repair, restoration, modification, or improvement and pay any costs in excess of the amount of the Net Proceeds, or (b) pay to Lessor the amount of the then applicable Option to Purchase Price for the Equipment, and, upon receipt of the payment, the Lease Term shall terminate and Lessor's interest in the Equipment shall terminate as provided in Article VI. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification, or

improvement or after purchasing such Equipment and such other Equipment shall be retained by Lessee. If Lessee shall make any payments pursuant to this Section, Lessee shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Article IV.

Notwithstanding anything to the contrary herein, Lessee's obligations under Article VIII shall be limited to the Net Proceeds of insurance or condemnation and other legally available funds. If Lessee's obligation under Section 7.02 to maintain property insurance is covered by self insurance, then Lessee hereby certifies that its self insurance program guarantees payment of the interest of Lessor for any loss or damage to the leased Equipment.

ARTICLE IX

Section 9.01. Disclaimer of Warranties. Lessor's assigns make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Equipment, or any other warranty or representation, express or implied. As to Lessor, Lessee's acquisition of the Equipment shall be on an "as is" basis. In no event shall Lessor's assigns be liable for any incidental, indirect, special, or consequential damage in connection with or arising out of this Lease, the Equipment, or the existence, furnishing, functioning, or Lessee's use of any item, product, or service provided for in this Lease.

Section 9.02. Vendor's Warranties. Lessor's assigns irrevocably appoint Lessee its agent and attorney-in-fact during the Lease Term, so long as Lessee is not in default under this Lease, to assert from time to time whatever claims and rights (including without limitation warranties) relating to the Equipment that Lessor may have against Vendor. Lessee's sole remedy for the breach of such warranty, indemnification, or representation shall be only against Vendor of the Equipment, and not against Lessor. Any such matter shall have no affect whatsoever on the rights of Lessor with respect to the Lease, including the right to receive full and timely payments under the Lease. Lessee expressly acknowledges that Lessor's assign makes, and has made no representations or warranties whatsoever as to the existence or the availability of such warranties by Lessor of the Equipment.

ARTICLE X

Section 10.01. Option to Purchase. Lessee shall have the option to purchase all of the Equipment listed in the Lease, upon written notice to Lessor at least 30, but not more than 120 days before the date of purchase, at the following times and upon the following terms:

(a) From and after the date specified in the Exhibit A-2 (the "*Option to Purchase Date*"): on the Lease Payment dates specified in the Lease, upon payment in full of the Lease Payments then due under the Lease plus the then applicable Option to Purchase Price, which may include a prepayment premium on the unpaid balance as set forth in the Exhibit A-2; or

(b) In the event of substantial damage to, destruction, condemnation of substantially all of the Equipment listed in the Lease: on the day specified in Lessee's written notice to Lessor of its exercise of the Option to Purchase upon payment in full to Lessor of the Lease Payments then due under the Lease plus the then applicable Option to Purchase Price; or

(c) Upon the expiration of the Lease Term: upon payment in full of all Lease Payments then due and all other amounts then owing under the Lease, and the payment of \$1.00 to Lessor.

After payment of the applicable Option to Purchase Price, Lessee will own the Equipment, and Lessor's right, title, and interests in the Equipment will be transferred and terminated in accordance with Section 6.01.

ARTICLE XI

Section 11.01. Assignment by Lessor. Lessor's right, title and interest in and to the Lease, including any payments and any other amounts payable by Lessee under the Lease, its interest in the Equipment subject to this Lease, and all proceeds therefrom may be assigned and reassigned in whole or in part to one or more assignees or sub-assignees by Lessor, without the Lessee's consent. Any such assignment, transfer, or conveyance to a trustee for the benefit of owners of certificates of participation shall be made in a manner that conforms to any applicable State law. Nothing in this Section 11.01 shall be construed to prevent Lessor from executing any such assignment, transfer, or conveyance that does not involve funding through the use of certificates of participation within the meaning of applicable State law, including any such assignment, transfer, or conveyance as part of a multiple asset pool to a partnership or trust, interests in which are offered and sold in a private placement or limited offering only to investors whom Lessor reasonably believes are qualified institutional buyers or accredited investors within the meaning of the applicable federal securities law. Lessee shall not be required to make Lease

Payments, to send notices, or to otherwise deal with respect to matters arising under the Lease with more than one individual or entity. No assignment, transfer, or conveyance permitted by this Section 11.01 shall be effective until Lessee receives a written notice of assignment that discloses the name and address of each assignee. If an assignment is made to a bank or trust company as trustee or paying agent for owners of certificates of participation, trust certificates, or partnership interests with respect to the Lease Payments payable under the Lease, it shall be sufficient that Lessee receives notice of the name and address of the bank or trust company as trustee or paying agent. During the term of the Lease, Lessee shall keep, or cause to be kept, a complete and accurate record of all such assignments in form necessary to comply with Section 149 of the Code. Lessee shall retain any assignment notices as a register of all assignees and shall make all payments to the assignee or assignees designated in such register. Lessee shall not have the right to and shall not assert against any assignee any claim, counterclaim, or other right Lessee may have against Lessor or the Vendor. Assignments in part may include without limitation assignment of all of Lessor's interest in and to the Equipment listed in the Lease and all rights in, to, and under the Lease to such Equipment. The option granted in this Section may be separately exercised from time to time with respect to the Equipment listed in the Lease, but such option does not permit the assignment of less than all of Lessor's interests in the Equipment listed in the Lease.

Section 11.02. Assignment and Subleasing by Lessee. None of Lessee's right, title, and interest in, to, and under the Lease or any portion of the Equipment may be assigned or encumbered by Lessee for any reason.

ARTICLE XII

Section 12.01. Events of Default Defined. Any of the following events shall constitute an "Event of Default" under the Lease:

(a) Failure by Lessee to pay any Lease Payment or other payment required to be paid under the Lease when required;

(b) Failure by Lessee to observe and perform any material covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraph (a) above, for a period of 30 days after written notice to the Lessee specifying such failure and requesting that it be remedied, unless Lessor shall agree in writing to an extension of such time prior to its expiration. If the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected;

(c) Any statement, representation, or warranty made by Lessee in or pursuant to the Lease or its execution, delivery, or performance shall prove to have been false, incorrect, misleading, or breached in any material respect on the date when made;

(d) Any default occurs under any other agreement for borrowing money or receiving credit under which Lessee may be obligated as a borrower, if such default consists of (i) the failure to pay any indebtedness when due or (ii) the failure to perform any other material obligation;

(e) Lessee shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, or liquidator of Lessee, or of all or a substantial part of the assets of Lessee, (ii) be unable, fail, or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy, a petition or an answer seeking reorganization, an arrangement with creditors, taking advantage of any insolvency law, or any answer admitting the material allegations of a petition filed against Lessee in any bankruptcy, reorganization, or insolvency proceeding; or

(f) An order, judgment, or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian, or liquidator of Lessee or of all or a substantial part of the assets of Lessee, in each case without its application, approval, or consent, and such order, judgment or decree shall continue un-stayed and in effect for any period of 30 consecutive days.

Section 12.02. Remedies on Default. Whenever any Event of Default exists and is not cured where provided, Lessor shall have the right, at its sole option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to Lessee, Lessor may, without terminating this Lease, collect each Lease Payment payable by Lessee pursuant to this Lease and other amounts payable by Lessee under this Lease as they become due and payable;

(b) With or without terminating the Lease Term under this Lease, Lessor may

(i) enter the premises where the Equipment is located and retake possession of such Equipment;

(ii) require Lessee at Lessee's sole expense to promptly return any or all of the Equipment to Lessor's possession at such place as Lessor specifies;

(iii) sell, lease, or sublease the Equipment or, for the account of Lessee, continuing to hold Lessee liable for the difference between (1) the Lease Payments and any other amounts to the Lease or the Equipment that are payable by Lessee to the end of the Lease Term, and (2) the net proceeds of any such sale, leasing, or subleasing (after deducting all expenses of Lessor in exercising its remedies under this Lease, including without limitation all expenses of taking possession, storing, reconditioning, and selling, leasing, or subleasing such Equipment and all brokerage, auctioneer's, and attorney's fees), subject, however, to the provisions of Section 3.03. The exercise of any of the foregoing remedies shall not relieve Lessee of any other liabilities under the;

(c) Lessor may take whatever action at law or in equity to enforce its rights under the Lease or as a secured party in any or all of the Equipment; and

(d) by action pursuant to the California Code of Civil Procedure or as otherwise provided by law, obtain the issuance of a writ of mandamus enforcing, for the entire balance of the remaining Lease Term, the duty of Lessee to appropriate and take all other administrative steps necessary for Lease payments, and other amounts due.

Section 12.03. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor is intended to be exclusive. Each remedy shall be cumulative and in addition to every other remedy given under the Lease, at law, or in equity. Under no circumstances does Lessor have the right to accelerate any Lease Payment or otherwise declare any Lease Payment or other amount payable that is not in default to be immediately due and payable. No delay or omission to exercise any right or power accruing upon any default shall impair any right or power or shall be construed to be a waiver, but any such right or power may be exercised from time to time and as often as may be deemed expedient in the sole discretion of Lessor.

Section 12.04. Application of Moneys. Any net proceeds from the exercise of any remedy under this Lease, including the application specified in Section 12.02(b)(ii) (after deducting all expenses of Lessor in exercising such remedies including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing Equipment and all brokerage, auctioneer's or attorney's fees), shall be applied to the Equipment listed in the Lease or rights thereunder, then to amounts due pursuant to the Lease for such Equipment.

ARTICLE XIII

Section 13.01. Notices. All notices, certificates, or other communications under the Lease shall be sufficiently given and shall be considered given when delivered or mailed by registered mail, postage prepaid, or delivered by overnight courier, or sent by facsimile transmission (with electronic confirmation) to the parties at the addresses immediately after the signatures to this Lease (or at such other address as either party designates in writing to the other for notices) and to any assignee at its address as it appears on the registration books maintained by Lessee.

Section 13.02. Release and Indemnification. Lessee agrees to indemnify and defend Lessor, its affiliates, managers, directors, members, officers, agents, employees, and assigns (collectively the "Lessor Indemnified Party") from and against all claims, damages, losses and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the cost of appellate proceedings) to which any such Lessor Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof) relate to (a) the entering into of this Lease, (b) the ownership of any item of the Equipment, (c) the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, or return of any item of the Equipment, (d) any accident in connection with the operation, use, condition, possession, storage, or return of any item of the Equipment resulting in damage to property or injury to or death to any person, and/or (e) the breach of any covenant in the Lease or any material misrepresentation contained in the Lease. No indemnification is made under this Section 13.02 or elsewhere in this Lease for the willful misconduct, negligence by the Lessor or any of its respective officers, agents, employees, successors, or assigns. The indemnification arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under the Lease or the termination of the Lease Term for any reason.

Section 13.03. Binding Effect. The Lease shall inure to the benefit of and be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.04. Severability. In the event any provision of the Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable the remaining provisions.

Section 13.05. Amendments, Changes, and Modifications. The Lease may only be amended by a writing signed by the parties.

Section 13.06. Execution in Counterparts. The Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.07. Applicable Law. The Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 13.08. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

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

Lessor:
GOVERNMENT CAPITAL CORPORATION
a Texas corporation

Lessee:
THE CITY OF GRASS VALLEY
a California municipal corporation

By: _____

By: _____

Name: _____

Name: Janet Arbuckle

Its: _____

Its: Mayor

Date: _____

Date: _____

EXHIBIT A-1
DESCRIPTION OF PROPERTY
CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT No. 5644 (THE "Lease")
BY AND BETWEEN
Lessor, Government Capital Corporation **and Lessee,** City of Grass Valley
Dated as of January 25, 2011

DESCRIPTION

Automated Meter Reading System

See Exhibit I, "Scope of Services" of this Agreement.

Property Location:
Citywide
Grass Valley, CA

EXHIBIT A-2

>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<
CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT No.5644 (THE "LEASE")
BY AND BETWEEN

Lessor: Government Capital Corporation and Lessee: City of Grass Valley
Schedule dated as of February 10, 2011

PMT NO.	PMT DATE MO DAY YR	TOTAL PAYMENT	INTEREST PAID	PRINCIPAL PAID	OPTION TO PURCHASE after pmt on this line
1	8/10/2011	\$106,746.74	\$53,382.78	\$53,363.96	N/A
2	2/10/2012	\$106,746.74	\$52,135.14	\$54,611.60	N/A
3	8/10/2012	\$106,746.74	\$50,858.32	\$55,888.42	N/A
4	2/10/2013	\$106,746.74	\$49,551.66	\$57,195.08	N/A
5	8/10/2013	\$106,746.74	\$48,214.44	\$58,532.30	N/A
6	2/10/2014	\$106,746.74	\$46,845.96	\$59,900.78	N/A
7	8/10/2014	\$106,746.74	\$45,445.49	\$61,301.25	\$1,901,307.44
8	2/10/2015	\$106,746.74	\$44,012.27	\$62,734.47	\$1,837,945.62
9	8/10/2015	\$106,746.74	\$42,545.54	\$64,201.20	\$1,773,102.41
10	2/10/2016	\$106,746.74	\$41,044.52	\$65,702.22	\$1,706,743.17
11	8/10/2016	\$106,746.74	\$39,508.41	\$67,238.33	\$1,638,832.45
12	2/10/2017	\$106,746.74	\$37,936.39	\$68,810.35	\$1,569,334.00
13	8/10/2017	\$106,746.74	\$36,327.61	\$70,419.13	\$1,490,793.79
14	2/10/2018	\$106,746.74	\$34,681.21	\$72,065.53	\$1,418,367.94
15	8/10/2018	\$106,746.74	\$32,996.33	\$73,750.41	\$1,344,248.77
16	2/10/2019	\$106,746.74	\$31,272.05	\$75,474.69	\$1,268,396.71
17	8/10/2019	\$106,746.74	\$29,507.46	\$77,239.28	\$1,187,809.12
18	2/10/2020	\$106,746.74	\$27,701.61	\$79,045.13	\$1,108,566.37
19	8/10/2020	\$106,746.74	\$25,853.54	\$80,893.20	\$1,027,470.94
20	2/10/2021	\$106,746.74	\$23,962.27	\$82,784.47	\$944,479.51
21	8/10/2021	\$106,746.74	\$22,026.78	\$84,719.96	\$859,547.75
22	2/10/2022	\$106,746.74	\$20,046.03	\$86,700.71	\$772,630.29
23	8/10/2022	\$106,746.74	\$18,018.98	\$88,727.76	\$683,680.71
24	2/10/2023	\$106,746.74	\$15,944.53	\$90,802.21	\$592,651.49
25	8/10/2023	\$106,746.74	\$13,821.58	\$92,925.16	\$499,494.02
26	2/10/2024	\$106,746.74	\$11,649.00	\$95,097.74	\$404,158.54
27	8/10/2024	\$106,746.74	\$9,425.62	\$97,321.12	\$306,594.11
28	2/10/2025	\$106,746.74	\$7,150.27	\$99,596.47	\$206,748.65
29	8/10/2025	\$106,746.74	\$4,821.71	\$101,925.03	\$104,568.81
30	2/10/2026	\$106,746.74	\$2,438.70	\$104,308.04	\$1.00

****This Schedule is subject to current Market Indexing if Funding occurs more than 14 days after Contract Date****

Accepted By Lessee: _____
Janet Arbuckle, Mayor

EXHIBIT B
CERTIFICATE OF ACCEPTANCE

NOT APPLICABLE FOR THIS LEASE AS ACCEPTANCE PROVISIONS ARE CONTAINED IN **ACQUISITION
FUND AND ACCOUNT CONTROL AGREEMENT**

EXHIBIT C-1

CERTIFICATE

The undersigned, a duly appointed and acting City Clerk of the City of Grass Valley, ("Lessee") certifies as follows:

A. The following listed person is a duly appointed and acting official of Lessee (the "Official") in the capacity set forth opposite his/her respective name below and that the facsimile signatures are true and correct as of the date of this Certificate;

B. The Official is duly authorized, on behalf of Lessee, to negotiate, execute, and deliver the California Equipment Lease/Purchase Agreement No. 5644 (the "Lease") dated as of January 25, 2011, and the Exhibits thereunder and any future Exhibit(s) as deemed necessary by and between Lessee and Lessor;

C. The Lease is binding and an authorized agreement of Lessee, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the enforcement of creditors' rights generally; by the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, regardless of whether considered in a proceeding in equity or at law; the possible unavailability of specific performance or injunctive relief; and by the limitations imposed on actions against governmental entities in the State of California.

<u>Name of Official</u>	<u>Title</u>	<u>Signature</u>
Janet Arbuckle	Mayor	_____

Dated _____ By: _____
Kristi Bashor, City Clerk

(The signer of this Certificate cannot be listed above as authorized to execute this Lease.)

EXHIBIT D
OPINION OF COUNSEL TO LESSEE

Government Capital Corporation

Attn: Documentation Department
345 Miron Dr

Southlake, TX 76092

Re: CALIFORNIA EQUIPMENT LEASE-PURCHASE AGREEMENT No. 5644 (THE "LEASE") by and between Lessor, **Government Capital Corporation** and Lessee, **City of Grass Valley**, dated as of January 25, 2011

Ladies and Gentlemen:

As legal counsel to the City of Grass Valley ("Lessee"), we have examined (a) that certain California Equipment Lease/Purchase Agreement No. 5644 (the "Lease"), and all corresponding Exhibits by and between Government Capital Corporation ("Lessor") and the City of Grass Valley ("Lessee"); (b) the Acquisition Fund and Account Control Agreement; (c) the resolution of Lessee which, among other things, authorizes Lessee to execute the Lease and the Exhibits; and (d) such other documents as provided to me, and matters of law as is necessary in connection with the following opinions. The Lease and the Acquisition Fund and Account Control Agreement are referred to collectively as the "Lease Documents".

Based on the preceding, we are of the following opinions:

1. Lessee is a municipal corporation, duly organized and existing under the laws of the State of California, and has a substantial amount of the following sovereign powers, subject to applicable restrictions under State law: (a) the power to tax, (b) the power of eminent domain, and (c) is a political subdivision of a state within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the "Code") and the obligations of Lessee under the Lease will constitute an obligation of Lessee within the meaning of Section 103(a) of the Code, notwithstanding Section 103(b) of the Code;

2. Lessee has the requisite power and authority to lease and acquire the Equipment, to execute and deliver the Lease Documents, and to perform its obligations under the Lease Documents;

3. The Lease Documents have been duly authorized and approved by and on behalf of Lessee and the Lease Documents are a valid and binding obligation of Lessee enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the enforcement of creditors' rights generally; by the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, regardless of whether considered in a proceeding in equity or at law; the possible unavailability of specific performance or injunctive relief; and by the limitations imposed on actions against governmental entities in the State of California;

4. The authorization, approval, and execution of the Lease Documents and all other proceedings of Lessee relating to the transactions contemplated have been performed in accordance with all applicable local, state, or federal laws to the extent referenced herein; and

5. I am unaware of any proceeding pending or threatened against the Lessee in any court or before any governmental authority, arbitration board, or tribunal that, if adversely determined against the Lessee, would adversely affect the transactions contemplated by the Lease Documents or the interest of Lessor or its assigns, as the case may be, in the Equipment.

All capitalized terms shall have the same meanings as in the Lease unless otherwise provided for in this Opinion of Counsel to Lessee. Lessor and its successors and assigns are entitled to rely on this opinion.

Printed Name _____

Signature _____

Firm _____

Dated _____

Address _____

Telephone No. _____

EXHIBIT E
ESSENTIAL USE/SOURCE OF FUNDS CERTIFICATE

Government Capital Corporation
345 Miron Dr
Southlake, TX 76092

Re: CALIFORNIA EQUIPMENT LEASE-PURCHASE AGREEMENT No. 5644 (THE "LEASE") by and between **Lessor**, Government Capital Corporation and **Lessee**, City of Grass Valley

This certificate confirms and affirms that the Equipment described in the Lease referenced above is essential to the functions of Lessee or to the services Lessee provides its citizens. Further, Lessee has an immediate need for, and expects to make immediate use of, substantially all of the Equipment, which need is not temporary or expected to diminish in the foreseeable future. The Equipment will be used by Lessee only for the purpose of performing one or more of Lessee's governmental or proprietary functions consistent with the permissible scope of its authority.

Lessee expects and anticipates adequate funds to be available for all future payments or payments due after the current budgetary period.

Lessee: City of Grass Valley

Janet Arbuckle, Mayor

TAX AND ARBITRAGE CERTIFICATE

CALIFORNIA EQUIPMENT LEASE/PURCHASE AGREEMENT **NO. 5644** (THE "Lease")
BY AND BETWEEN

Lessor, Government Capital Corporation and **Lessee**, City of Grass Valley
Dated as of January 25, 2011

This **Tax and Arbitrage Certificate** is executed on this ____ day of _____, 2011 by the undersigned ("Lessee") and pertains to that California Equipment Lease/Purchase Agreement No. 5644 dated January 25, 2011 as is more fully described above (the "Lease"). This Certificate is being issued pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and Treasury Regulations, Sections 1.141-1 through 1.141-15, 1.148-0 through 1.148-11, 1.149(d), 1.149(g)-1, 1.150-1 and 1.150-2 (the "Regulations"). Lessee agrees that: (a) proceeds derived from the issuance of the Lease shall only be used to acquire equipment that has a governmental purpose and will not be used to acquire equipment that will benefit any private business activity; (b) proceeds derived from the issuance of the Lease shall never be invested in instruments yielding an interest rate return in excess of the rate of interest set forth in the Lease; (c) proceeds derived from the issuance of the Lease shall be fully and completely expended for their anticipated purpose within at least one year from the date of the Lease; (d) proceeds derived from the issuance of the Lease shall not be used to finance any acquisition other than the purchase of that equipment identified in the Lease along with related costs and costs of issuance; (e) the repayment of the Lease is not guaranteed directly or indirectly by the federal government; (f) Lessee shall execute a Form 8038-G and allow for such to be filed of record with the Internal Revenue Service; (g) the Lease is in registered form and that the Lessee shall maintain a record regarding the ownership of the Lease and the payment of all sums payable under the Lease; (h) the proceeds derived from the issuance of the Lease are not in excess of the sum required in order to acquire the Equipment that is the subject of the Lease and to fund the costs associated with the issuance of the Lease; (i) Lessee does not currently contemplate the sale or disposition of the equipment that is the subject of the Lease prior to the expiration of the Lease's payment terms; and (j) the Lessee shall otherwise abide by the Code and the Regulations related to the issuance of the Lease.

To the best of the knowledge and belief of the undersigned, the expectations as set forth above, are reasonable; and there are no present facts, estimates, and circumstances which would change the foregoing expectations. Lessee has not been notified of the listing, or proposed listing of it, by the Internal Revenue Service as an Issuer whose arbitrage certificates may not be relied upon.

Executed on the date first referenced above.

Lessee: City of Grass Valley

Janet Arbuckle, Mayor

ACQUISITION FUND AND ACCOUNT CONTROL AGREEMENT

This Acquisition Fund and Account Control Agreement (this "Agreement"), dated as of January 25, 2011, by and among Government Capital Corporation (the "Lessor"), and the City of Grass Valley, California (the "Lessee") and Deutsche Bank National Trust Company, a national trust company (hereinafter referred to as "Acquisition Fund Custodian").

Reference is made to that certain California Equipment Lease/Purchase Agreement No. 5644 dated as of January 25, 2011 between Lessor and Lessee (the "Lease"), covering the acquisition and lease of certain Equipment described in the Lease (the "Equipment"). It is contemplated in connection with the Lease that the Cost of the Equipment, an amount not to exceed \$2,260,669.40, be deposited into an escrow account under terms satisfactory to Lessor, for the purpose of fully funding the Lease, and providing a mechanism for the application of such amounts to the purchase of and payment for the Equipment.

The parties agree as follows:

1. Creation of Acquisition Fund.

(a) There is hereby created a special trust fund to be known as the "City of Grass Valley Acquisition Fund" (the "Acquisition Fund") to be held in trust by the Acquisition Fund Custodian for the purposes stated herein, for the benefit of Lessor and Lessee, to be held, disbursed and returned in accordance with the terms hereof.

(b) The Acquisition Fund Custodian shall invest and reinvest moneys on deposit in the Acquisition Fund in Qualified Investments in accordance with written instructions received from Lessee. Lessee shall be solely responsible for ascertaining that all proposed investments and reinvestments are Qualified Investments and that they comply with federal, state, and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Acquisition Fund Custodian for the reinvestment of any maturing investment. Accordingly, neither the Acquisition Fund Custodian nor Lessor shall be responsible for any liability, cost, expense, loss or claim of any kind, directly or indirectly arising out of or related to the investment or reinvestment of all or any portion of the moneys on deposit in the Acquisition Fund, and Lessee agrees to and does hereby release the Acquisition Fund Custodian and Lessor from any such liability, cost, expenses, loss or claim. Interest on the Acquisition Fund shall become part of the Acquisition Fund, and gains and losses on the investment of the moneys on deposit in the Acquisition Fund shall be borne by the Acquisition Fund. For purposes of this agreement, "Qualified Investments" means any investments which meet the requirements of the applicable provisions of Chapter 4 of Part 1, Division 2, Title 5 of the Government Code, of the State of California.

(c) Unless the Acquisition Fund is earlier terminated in accordance with the provisions of paragraph "d" below, amounts in the Acquisition Fund shall be disbursed by the Acquisition Fund Custodian in payment of amounts described in Section 2 hereof upon receipt of written authorization(s) from Lessor, as is more fully described in Section 2 hereof. If the amounts in the Acquisition Fund are insufficient to pay such amounts, Lessee shall provide any balance of the funds needed to complete the acquisition of the Equipment. Any moneys remaining in the Acquisition Fund after October 25, 2011 (the "Acquisition Period") shall be applied as provided in Section 4 hereof.

(d) The Acquisition Fund shall be terminated at the earliest of (i) the final distribution of amounts in the Acquisition Fund or (ii) written notice given by Lessor of the occurrence of a default, abatement as outlined in Section 3.03 of the Lease, or termination of the Lease commitment period.

(e) The Acquisition Fund Custodian may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument. The Acquisition Fund Custodian shall not be liable in any manner for the sufficiency or correctness as to form, manner of execution, or validity of any instrument nor as to the identity, authority, or right of any person executing the same; and its duties hereunder shall be limited to the receipt of such moneys, instruments or other documents received by it as the Acquisition Fund Custodian, and for the disposition of the same in accordance herewith.

(f) Unless the Acquisition Fund Custodian is guilty of gross negligence or willful misconduct with regard to its duties hereunder, Lessee agrees to and does hereby release and indemnify the Acquisition Fund Custodian and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Acquisition Fund Custodian under this agreement; and in connection therewith, does to the extent permitted by law indemnify the Acquisition Fund Custodian against any and all expenses; including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim.

(g) If Lessee and Lessor shall be in disagreement about the interpretation of the Lease, or about the rights and obligations, or the propriety of any action contemplated by the Acquisition Fund Custodian hereunder, the Acquisition Fund Custodian may, but shall not be required to, file an appropriate civil action to resolve the disagreement. The Acquisition Fund Custodian shall be reimbursed by Lessee for all costs, including reasonable attorneys' fees, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under the Lease until a final judgment in such action is received.

(h) The Acquisition Fund Custodian may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. The Acquisition Fund Custodian shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its willful misconduct.

(i) Lessee shall reimburse the Acquisition Fund Custodian for all reasonable costs and expenses, including those of the Acquisition Fund Custodian's attorneys, agents and employees incurred for extra-ordinary administration of the Acquisition Fund and the performance of the Acquisition Fund Custodian's powers and duties hereunder in connection with any Event of Default under the Lease, or in connection with any dispute between Lessor and Lessee concerning the Acquisition Fund.

2. Acquisition of Property.

(a) Acquisition Contracts. Lessee will arrange for, supervise and provide for, or cause to be supervised and provided for, the acquisition of the Equipment, with moneys available in the Acquisition Fund. Lessee represents the estimated costs of the Equipment are within the funds estimated to be available therefor, and Lessor makes no warranty or representation with respect thereto. Lessor shall have no liability under any of the acquisition or construction contracts. Lessee shall obtain all necessary permits and approvals, if any, for the acquisition, equipping, and installation of the Equipment, and the operation and maintenance thereof.

(b) Authorized Acquisition Fund Disbursements. Disbursements from the Acquisition Fund shall be made for the purpose of paying (including the reimbursement to Lessee for advances from its own funds to accomplish the purposes hereinafter described) the cost of acquiring the Equipment.

(c) Requisition Procedure. No disbursement from the Acquisition Fund shall be made unless and until Lessor has approved such requisition. Prior to disbursement from the Acquisition Fund there shall be filed with the Acquisition Fund Custodian a requisition for such payment in the form of Disbursement Request attached hereto as Schedule 1, stating each amount to be paid and the name of the person, firm or corporation to whom payment thereof is due. Each such requisition shall be signed by an authorized representative of Lessee (an "Authorized Representative") and by Lessor, if approved, and shall be subject to the following:

1. Delivery to Lessor of a certificate of Lessee to the effect that:
(i) an obligation in the stated amount has been incurred by Lessee, and that the same is a proper charge against the Acquisition Fund for costs relating to the Equipment identified in the Lease, and has not been paid; (ii) the Authorized Representative has no notice of any vendor's, mechanic's or other liens or rights to liens, chattel mortgages, conditional sales contracts or security interest which should be satisfied or discharged before such payment is made; (iii) such requisition contains no item representing payment on account, or any retained percentages which Lessee is, at the date of such certificate, entitled to retain; and (iv) the Equipment is insured in accordance with the Lease.
2. Delivery to Lessor of an acceptance certificate executed by Lessee, where appropriate;
3. The disbursement shall occur during the commitment period contemplated in the Lease;
4. There shall exist no event of default under the Lease (nor any event which, with notice or lapse of time or both, would become an event of default); and
5. No material adverse change in Lessee's or any guarantor's financial condition shall have occurred since the date of the Lease.

3. Deposit to Acquisition Fund. Upon Lessor's receipt of all documents required before Lessor is obligated to fund the Equipment Cost other than an acceptance certificate, Lessor will cause the Equipment Cost specified in the Lease to be deposited in the Acquisition Fund. Lessee agrees to pay any costs with respect to the Equipment in excess of amounts available therefor in the Acquisition Fund.

4. Excessive Acquisition Fund. Following the final disbursement from the Acquisition Fund at the end of the Acquisition Period, or termination of the Acquisition Fund as otherwise provided herein, the Acquisition Fund Custodian shall transfer any remainder from the Acquisition Fund to Lessor on Lessor's direction as follows: first to then due amounts and then to future amounts in order until exhausted.

5. Security Interest. The Acquisition Fund Custodian and Lessee acknowledge and agree that the Acquisition Fund and all proceeds thereof are being held by Acquisition Fund Custodian for disbursement or return as set forth herein. Lessee hereby grants to Lessor a first priority perfected security interest in the Acquisition Fund, and all proceeds thereof, and all investments made with any amounts in the Acquisition Fund. If the Acquisition Fund, or any part thereof, is converted to investments as set forth in this agreement, such investments shall be made in the name of Acquisition Fund Custodian and the Acquisition Fund Custodian hereby agrees to hold such investments as bailee for Lessor so that Lessor is deemed to have control of such investments for the purpose of perfecting its security interest.

6. Control of Acquisition Account. In order to perfect Lessor's security interest by means of control in (i) the Acquisition Fund established hereunder, (ii) all securities

entitlements, investment property and other financial assets now or hereafter credited to the Acquisition Fund, (iii) all of Lessee's rights in respect of the Acquisition Fund, such securities entitlements, investment property and other financial assets, and (iv) all products, proceeds and revenues of and from any of the foregoing personal property (collectively, the "Collateral"), Lessor, Lessee and Acquisition Fund Custodian further agree as follows:

(a) All terms used in this Section 6 which are defined in the Commercial Code of the state of California ("Commercial Code") but are not otherwise defined herein shall have the meanings assigned to such terms in the Commercial Code, as in effect on the date of this Agreement.

(b) Acquisition Fund Custodian will comply with all entitlement orders originated by Lessor with respect to the Collateral, or any portion of the Collateral, without further consent by Lessee.

(c) Acquisition Fund Custodian hereby represents and warrants (i) that the records of Acquisition Fund Custodian show that Lessee is the sole owner of the Collateral, (ii) that Acquisition Fund Custodian has not been served with any notice of levy or received any notice of any security interest in or other claim to the Collateral, or any portion of the Collateral, other than Lessor's claim pursuant to this Agreement, and (iii) that Acquisition Fund Custodian is not presently obligated to accept any entitlement order from any person with respect to the Collateral, except for entitlement orders that Acquisition Fund Custodian is obligated to accept from Lessor under this Agreement and entitlement orders that Acquisition Fund Custodian, subject to the provisions of paragraph (iv) below, is obligated to accept from Lessee.

(d) Without the prior written consent of Lessor, Acquisition Fund Custodian will not enter into any agreement by which Acquisition Fund Custodian agrees to comply with any entitlement order of any person other than Lessor or, subject to the provisions of paragraph (e) below, Lessee, with respect to any portion or all of the Collateral. Acquisition Fund Custodian shall promptly notify Lessor if any person requests Acquisition Fund Custodian to enter into any such agreement or otherwise asserts or seeks to assert a lien, encumbrance, or adverse claim against any portion or all of the Collateral.

(e) Except as otherwise provided in this paragraph (e) and subject to Section 1(b) hereof, Acquisition Fund Custodian may allow Lessee to effect sales, trades, transfers and exchanges of Collateral within the Acquisition Fund, but will not, without the prior written consent of Lessor, allow Lessee to withdraw any Collateral from the Acquisition Fund. Acquisition Fund Custodian acknowledges that Lessor reserves the right, by delivery of written notice to Acquisition Fund Custodian, to prohibit Lessee from effecting any withdrawals (including withdrawals of ordinary cash dividends and interest income), sales, trades, transfers, or exchanges of any Collateral held in the Acquisition Fund. Further, Acquisition Fund Custodian hereby agrees to comply with any and all written instructions delivered by Lessor to Acquisition Fund Custodian (once it has had a reasonable opportunity to comply therewith) and has no obligation to, and will not, investigate the reason for any action taken by Lessor, the amount of any obligations of Lessee to Lessor, the validity of any of Lessor's claims against or agreements with Lessee, the existence of any defaults under such agreements, or any other matter.

(f) Lessee hereby irrevocably authorizes Acquisition Fund Custodian to comply with all instructions and entitlement orders delivered by Lessor to Acquisition Fund Custodian.

(g) Acquisition Fund Custodian will not attempt to assert control, and does not claim and will not accept any security or other interest in, any part of the Collateral, and Acquisition Fund Custodian will not exercise, enforce or attempt to enforce any right of

setoff against the Collateral, or otherwise charge or deduct from the Collateral any amount whatsoever.

(h) Acquisition Fund Custodian and Lessee hereby agree that any property held in the Acquisition Fund shall be treated as a financial asset under such section of the Commercial Code as corresponds with Section 8-102 of the Uniform Commercial Code, notwithstanding any contrary provision of any other agreement to which Acquisition Fund Custodian may be a party.

(i) Acquisition Fund Custodian is hereby authorized and instructed, and hereby agrees, to send to Lessor at its address set forth in Section 7 below, concurrently with the sending thereof to Lessee, duplicate copies of any and all monthly Acquisition Fund statements or reports issued or sent to Lessee with respect to the Acquisition Fund.

7. Miscellaneous. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Lease. This agreement may not be amended except in writing signed by all parties hereto. This agreement may be executed in one or more counterparts, each of which shall be deemed to be an original instrument and each shall have the force and effect of an original and all of which together constitute, and shall be deemed to constitute, one and the same instrument. Notices hereunder shall be made in writing and shall be deemed to have been duly given when personally delivered or when deposited in the mail, first class postage prepaid, or delivered to an express carrier, charges prepaid, or sent by facsimile with electronic confirmation, addressed to each party at its address below:

If to Lessor: Government Capital Corporation
Attn: Documentation Department
345 Miron Dr
Southlake, TX 76092
Fax: 817-251-3208

If to Lessee: City of Grass Valley
Attn: Deborah Sultan, Finance Director
125 E. Main St.
Grass Valley, CA 95945

If to Acquisition
Fund Custodian: Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco, CA 94111
Attn: Raafat Albert Sarkis, VP
Phone: 415-617-2801
Fax: 415-617-4280

In Witness Whereof, the parties have executed this Acquisition Fund and Account Control Agreement as of the date first above written.

GOVERNMENT CAPITAL CORPORATION, As Lessor

By: _____

Title: _____

CITY OF GRASS VALLEY, As Lessee

By: _____

Title: Janet Arbuckle, Mayor

DEUTSCHE BANK NATIONAL TRUST COMPANY, As Acquisition Fund Custodian

By: _____

Title: _____

By: _____

Title: _____

SCHEDULE 1
DISBURSEMENT REQUEST

Re: California Equipment Lease/Purchase Agreement No. 5644 by and between Government Capital Corporation as Lessor and City of Grass Valley, as Lessee (the "Lease")

In accordance with the terms of the Acquisition Fund and Account Control Agreement, dated as of January 25, 2011 (the "Acquisition Fund and Account Control Agreement") by and among Government Capital Corporation ("Lessor"), City of Grass Valley ("Lessee") and Deutsche Bank National Trust Company (the "Acquisition Fund Custodian"), the undersigned requests the Acquisition Fund Custodian pay the following persons the following amounts from the Acquisition Fund created under the Acquisition Fund and Account Control Agreement (the "Acquisition Fund") for the following purposes.

Payee's Name and Address	Invoice Number	Dollar Amount	Purpose

The undersigned certifies as follows:

- (i) An obligation in the stated amount has been incurred by Lessee, and the same is a proper charge against the Acquisition Fund for costs relating to the Equipment identified in the Lease, and has not been paid. Attached is the original invoice with respect to such obligation.
- (ii) The undersigned, as Authorized Representative, has no notice of any vendor's, mechanic's, or other liens or rights to liens, chattel mortgages, conditional sales contracts, or security interest which should be satisfied or discharged before such payment is made.
- (iii) This requisition contains no item representing payment on account, or any retained percentages which Lessee is, at the date hereof, entitled to retain.
- (iv) The Equipment is insured in accordance with the Lease.
- (v) No event of default, and no event which with notice or lapse of time, or both, would become an event of default, under the Lease has occurred and is continuing as of the date hereof.
- (vi) The disbursement shall occur during the Acquisition contemplated in the Lease applicable to such Equipment.
- (vii) No material adverse change in Lessee's or any guarantor's financial condition shall have occurred since the date of the Lease.

Dated: _____

Lessee: City of Grass Valley

By: _____
Janet Arbuckle, Mayor

Disbursement of funds from the Acquisition Fund in accordance with the foregoing Disbursement Request hereby is authorized.

GOVERNMENT CAPITAL CORPORATION
as Lessor under the Lease, or its Assigns

By: _____

Title: _____

PARTIAL ACCEPTANCE CERTIFICATE

In accordance with the terms of the Lease mentioned above, Lessee represents to, and agrees with Lessor as follows:

1. The Equipment defined below, as such term is defined in the Lease, has been delivered and accepted on the date indicated below.

2. Lessee has conducted such inspection and/or testing of the Equipment as it deems necessary and appropriate and acknowledges that it accepts the Equipment for all purposes.
3. No Event of Default, as such term is defined in the Lease, and no event which with notice of lapse of time, or both would become an Event of Default, has occurred at the date hereof.

ACCEPTED EQUIPMENT: _____

Lessee: City of Grass Valley

By: _____
Janet Arbuckle, Mayor

Date: _____

EXHIBIT D
CUSTOMER INFORMATION TRANSFER ACCEPTANCE POLICIES AND
DOCUMENT LIST
NOT USED

EXHIBIT E
STANDARD TRAINING OUTLINE AND ACCEPTANCE OF TRAINING

FATHOM Advanced Meter Infrastructure (AMI)

1. Session One - Advanced Meter Infrastructure Hardware Training
 - a. Digital Collector Operations and Level One Troubleshooting
 - b. MTU Replacement, Repair, and Programming
 - c. FATHOM Warrantee Management Program
2. Session Two – Advanced Meter Infrastructure Software Training
 - a. Manufacturer AMI Interface Software Review
 - i. DCU look up and diagnostics
 - ii. MTU look up, read, and transmission reports, diagnostics
3. Session Three –UMDM Advanced Meter Infrastructure Management Training
 - a. UMDM user interface
 - b. Standard UMDM reporting for AMI
 - c. Data exports, reporting, and data analysis

FATHOM CIS

Session One – Customer Service Training:

- Remittance management and cash receipting (front counter solution)
- Account inquiries
- Account establishment and termination
- Account management for disconnects and reconnects
- Account reconciliation and analysis
- Accessing the Global Water call center, IVR and work order management systems
- Electronic work order management system for field customer service integration to customer service (Cityworks)

Session Two – Financial System Integration Process:

- Daily upload of CIS transactions from Global Water to the municipal financial system
- Daily reconciliation of transactions from CIS to the municipal financial system
- Audit trail and reporting package from CIS

Session Three – Utility Billing Reporting Package Training:

- Access to reporting interface
- Security
- Locating and searching reports
- Exporting Reports to Excel

FATHOM EIS

Session 1 – Application Review and Functionality

- Access and security
- iWater and Cityworks
- Plant 4D
- Reporting interfaces

Session 2 – iWater and Cityworks

- Inputting rounds data
- Valve exercising and management of the valve program
- Line break management
- Field red lining of GIS data
- Electronic work order generation and management
- Work order routing and workflow
- Reporting and management of work orders

Session 3 – Plant 4D and Dashboard

- Navigation and file structure
- Field definitions and data maintenance
- Storing additional data
- Asset Reporting
- SCADA Reporting
- Adding Condition and Criticality Assessments

A total of 10 training days are included in the contract.

WE, THE UNDERSIGNED, ACKNOWLEDGE THE ABOVE TRAINING HAS TAKEN PLACE.

DATE: _____

**GRASS VALLEY PROJECT
MANAGER**

BY: _____
NAME: _____
TITLE: _____

GLOBAL PROJECT MANAGER

BY: _____
NAME: _____
TITLE: _____

EXHIBIT F

STANDARD ACCEPTANCE TESTING PROCEDURES AND EXPECTATIONS

Process 1: Operational Coverage System Check

Requirements:

- Document 98% of meters read by at least two DCU's over a 72 hour period.
- Document 100% of meters read by at least one DCU over a 72 hour period.

Demonstration:

- Global Water will generate a system reads report for a period of 72 hours and document that 98% of the reads have been captured by at least two DCU's.

Process 2: Reads for Bill Generation

Requirements:

- 99% of operational meter transmission units will capture a billable read within 5 days of the billing date.

Demonstration:

- Global will generate reporting on each billing cycle documenting that a read was collected from each MTU within five days of the billing date. This reporting shall be generated until an entire month of billing cycles has been shown to collect the billing read. During this timeframe Global Water shall monitor the system and issue any repair work orders to the City for completion. Uncompleted work orders shall be excluded from the testing.

IT Verification

All process checks will be complete on Grass Valley computers and if processes are acceptable the IT platform shall be accepted.

WE, THE UNDERSIGNED, ACKNOWLEDGE THE ABOVE TESTING HAS TAKEN PLACE.

DATE: _____

**GRASS VALLEY PROJECT
MANAGER**

BY: _____

NAME: _____

TITLE: _____

GLOBAL PROJECT MANAGER

BY: _____

NAME: _____

TITLE: _____



EXHIBIT G
CONTACTS

GRASS VALLEY PROJECT MANAGER

Timothy M. Kiser
Public Works Director/ City Engineer
125 E. Main Street
Grass Valley, CA 95945
Phone 1-530-274-4351
Fax 1-530-274-4399
Email timk@cityofgrassvalley.com

GRASS VALLEY IT PROJECT MANAGER

Name _____
Title _____
Address _____
City, State Zip _____
Phone _____
Fax _____
Email _____

GLOBAL PROJECT MANAGER

Jason Bethke
Global Water
21410 N. 19th Avenue, Suite 201
Phoenix, AZ 85027
Phone: (623) 518-4167
Fax: (623) 580-9659
Email: jason.bethke@gwresources.com

GLOBAL IT PROJECT MANAGER

John Peckardt
Global Water
21410 N. 19th Avenue, Suite 201
Phoenix, AZ 85027
Phone: (623) 518-4175
Fax: (623) 580-9659
Email: john.peckardt@gwresources.com



EXHIBIT H

ADDITIONAL SERVICES AGREEMENT

ADDITIONAL SERVICES

Unless noted as being provided on a "Time and Materials" basis, all Services are included in the Base Fee (as that term is defined in Exhibit A).

TIME AND MATERIALS CHARGES

Any Software Services identified as out of scope shall be charged to Customer on a time and materials hourly service fee basis.

Any Support Services identified as out of scope shall be charge to Customer on a time and materials hourly service fee basis.

Any services identified as requiring significant effort, requiring extensive test environment development and support and significantly increasing facility or support level of effort, shall be charged to Customer on a time and materials hourly service fee basis.

Any functionality beyond the defined scope shall be implemented and delivered on a time and materials hourly service fee basis.

MODIFICATIONS TO SCOPE

During the implementation phase, should Customer require any modifications to the software and/or interfaces not previously identified or included in the Scope of Support Services, the following approach will apply:

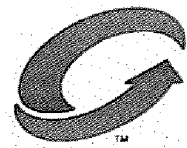
1. Formal Statement of Work Submitted
2. Specifications created
3. Solution Quoted
4. Specification Review
5. Programming
6. Quality Assurance
7. Modification of Delivery
8. Customer Acceptance

CONSULTING RATE SCHEDULE

All Consulting Services not covered in Base Fees shall be provided to the Customer at Global's then prevailing prices, hourly rates, policies, and terms.

TRAVEL & EXPENSE CHARGES

Customer acknowledges and agrees that Customer is responsible for reasonable travel and lodging expenses associated with all applicable Implementation/Consulting days and/or onsite training days, if any, at the time such additional services are delivered; that the Customer will be invoiced additionally for such Time and Expense; and that Customer shall pay the amount invoiced in accordance with the payment terms specified



GLOBAL WATER

in the Agreement. Notwithstanding the preceding, Global shall not be reimbursed for any additional expenses unless prior written approval is given by the City. Global shall not undertake any such work without prior written approval of the Customer.

ADDITIONAL ACCESS

Access to the Platform is available for Water, Wastewater and Recycled Water GIS and Asset Management functions in the configurations that Global Water uses for its own utilities. Should the City require additional functionality for assets outside the normal activities for water, wastewater and recycled water activities additional software licensing and configuration fees may apply.



EXHIBIT I

SCOPE OF SERVICES

INTRODUCTION

Global Water FATHOM

Global Water owns and operates regulated water and wastewater utilities and is one of the world's leading innovators in Total Water Management. Through our investment in people, processes, and technology, Global Water utilities have become some of the most automated and efficient operations in the industry. Now through FATHOM, municipalities can finally access state-of-the-art integrated technology solutions that save MONEY, TIME, AND WATER.

FATHOM Utility-to-Utility (U2U™) Solutions

Initially developed to support and optimize its own utilities, Global developed and now markets FATHOM – an integrated suite of advanced technology products designed to bring heightened efficiencies to utility operations. Its implementation has been proven to streamline business processes providing immediate cost savings. Global's U2U™ proven deployment methodology decreases traditional implementation timelines and costs, and provides a low barrier-to-entry for utilities to access sophisticated software applications for their operations. In addition, utilities can access our state-of-the-art call center and bill processing to achieve even greater economies of scale.

Our products are guaranteed to work, rapidly deployable, and available with little to no up-front capital and bundled with tax-exempt municipal financing.

Why FATHOM?

In today's economy, many utilities are struggling to reduce costs while addressing the need for improved efficiency and accuracy. FATHOM by Global Water does both. It eliminates the risks and long timelines associated with traditional technology implementations and provides immediate cost savings to utility operations. FATHOM brings a new degree of precision and reliability to your data, your service, and your resource allocation.

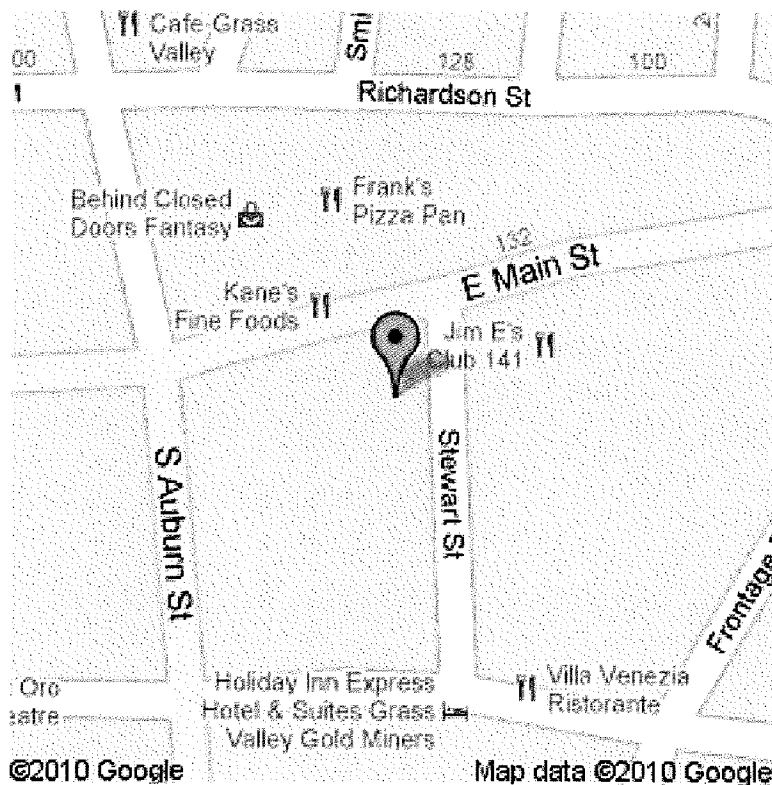
The proposal that follows is designed to document our approach and pricing to this turn-key implementation.



UNDERSTANDING

City of Grass Valley, CA Location

The City of Grass Valley is located in the central/western portion of Nevada County, California approximately 30 miles east of Marysville and approximately 20 miles north of Auburn. The City projects water and wastewater services to approximately 13,000 residents. Utility services are supplied to approximately 2400 water service connections and 4000 sewer service connections.



Grass Valley, CA

Project Description

The City of Grass Valley has selected Global Water to execute their Automated Utility Billing and Asset Management services as described in the request for proposals issued on August 19, 2010. These services include an advanced meter infrastructure project complete with the replacement of all of City's water meters.

Global Water FATHOM will deliver the AMI and meter replacement project to the City of Grass Valley following this turn-key approach. Global Water will prepare and deliver the necessary progress reporting to the City of Grass Valley. In addition, Global Water will ensure all meter data is properly entered into the City's billing systems and manage the AMI data and warranty and monitor the status of the system throughout the life of the contract.

The project includes the following elements:

IMPLEMENTATION

Utility-to-Utility Certified Equipment Provided

- 2400 Automatic Meter Infrastructure (AMI) Modules
- 2149 – 5/8" Encoder Positive Displacement Meters
- 69 - 3/4" Encoder Positive Displacement Meters
- 82 - 1" Encoder Positive Displacement Meters



- 65 – 1.5” Encoder Positive Displacement Meters
- 27 - 2” Encoder Positive Displacement Meters
- 5 - 3” Meters
- 2 - 4” Meters
- 1 - 6” Meter
- 2400 RF Friendly meter Box Lids and/or Large Lid Modifications
- 5 – Solar powered data collectors or as necessary to provide coverage
- AMI Manufacturers Software Application Licenses
- 10 – Field Computers with Air Cards

Utility-to-Utility Certified Implementation Services

- Project Management
- Construction Management
- Installation and testing of all equipment listed above
- GIS Paper Meter Audit
- Network configuration
- GPS Field Verification Audit
- Water and wastewater infrastructure and As-builts Data Loading
- Work order management system configuration and loading
- Develop and loading of process diagrams for all plant based infrastructure
- Reporting configuration
- Customer Information System Audit (Field and paper)
- Customer Information Configuration
 - City of Grass Valley Rates
 - City of Grass Valley Bill Print
 - City of Grass Valley Policies and Procedures

CONTINUOUS SERVICES

- Network management
- Software maintenance
- Software hosting and delivery over the internet
- Read hosting and data management services
- Warranty Management
- AMI Network Work Order Generation and Tracking
- Air Card Data Plans
- Asset Management System Updates
- IVR (Automated Phone System for Payments and Collections)
- Customer Service Team (70% of calls answered in 60 seconds, 7% abandon rate)
- Billing Services – including printing, delivery and remittance
- UtoYou customer website for online account information and payments.



- Coordination of local payments

APPROACH

FATHOM was originally designed for rapid deployment and infinite scalability within Global Water's family of private utility companies.

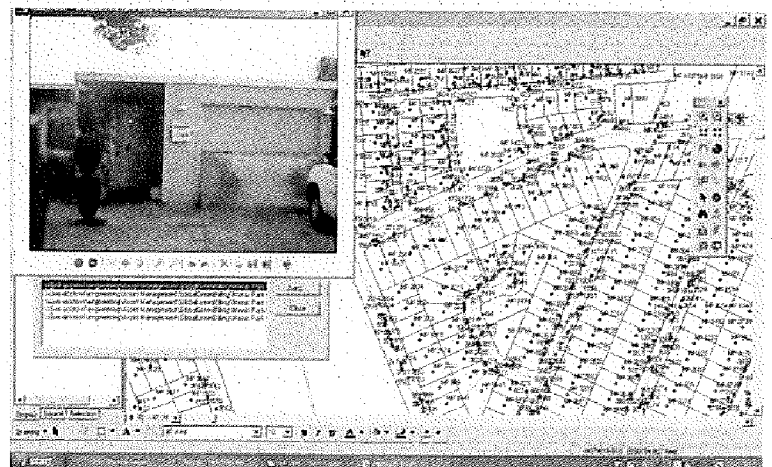
This experience provides us the ability to quickly deploy these systems into the municipal sector. What we realized early in system development is that many water companies did not have an accurate account of their meter inventory or customer count. Customer information and permitting systems of the past, in many cases, were defeated by users or integrations and customers were lost from the system. As a result, Global's delivery and installation of the new systems minimizes the reliance on the old customer information system.

WE GO RIGHT TO THE SOURCE OF THE DATA to ensure we are billing every customer. Our implementation approach is presented below:

TASK I – Interviews and Presentations

- 1) Interview key City Staff including Public Works, Finance, IT and Engineering Departments.
- 2) Determine location of primary City assets, all paper mapping, operational manuals and drawings.
- 3) Determine the City's GL account structure.
- 4) Present Customer Information System installation workflows and expected customer experience.
- 5) Present Automatic Meter Infrastructure schedule, system selections/features and expected customer experience.
- 6) Present Asset and Data Management critical workflows and reporting.
- 7) Complete Customer Information System Checklist.
- 8) Review and complete customer notification and balance transfer procedures checklist. This will determine how the City wishes to notify customers of the meter change out and new billing system. It also determines the approach for the conversion of balances from the old billing system to the new billing system.
- 9) Complete pre-configuration worksheets with City Staff to determine staff names and security settings, confirm remittance procedures for both customers and City.
- 10) Obtain logos and select starting template for bill design.

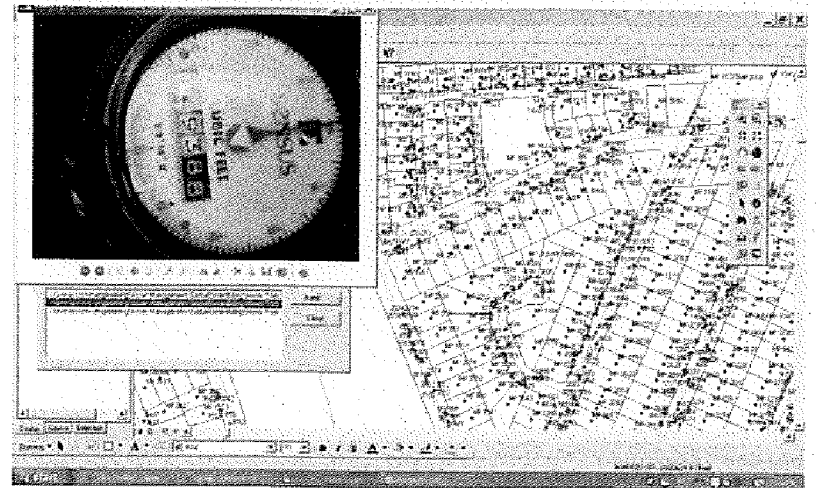
The intent of Task I is to obtain all critical information necessary to complete the long lead time items. It further provides a series of information presentation on what City Staff can expect and reviews the resident of Grass Valley's experience.



Special requests can be identified and programmed into the schedule as necessary.

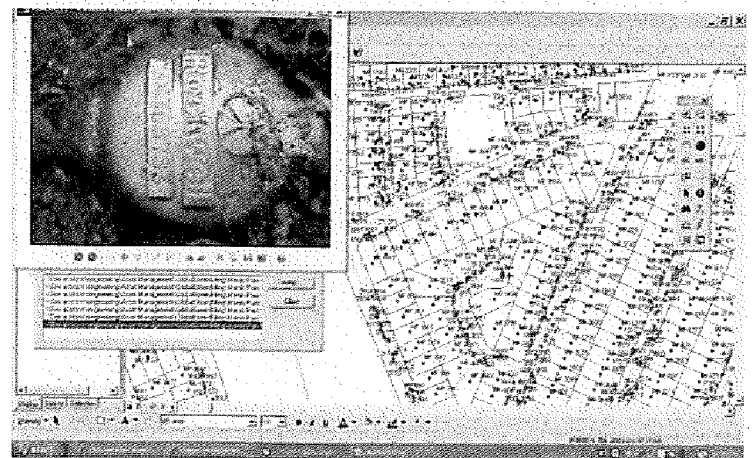
TASK 2 – Paper Audit

- 1) Obtain County tax records and parcel data.
- 2) Utilize tax records to develop a location identifier (Service ID's) in a GIS format.
- 3) Compare existing CIS customer data to tax ID records and generate reporting on matching accounts, and potentially missing meters.
- 4) Procure aerial photograph of the area.
- 5) Synchronize the customer address file, service ID's, and aerial photograph. Generate reporting on existing meters expected, missing meters, and development areas and non-water consuming parcels.
- 6) Process all addresses through the US Postal Database to correct any incorrect address information, such as streets recorded as avenues, etc.
- 7) Lay out all located mapping for City and provide a coverage comparison, for required field location pick-ups.
- 8) Obtain, scan, and review all engineering drawings and draft preliminary process flow diagrams.
- 9) Load data into field collection computers and Global Water developed meter audit GIS application.



TASK 3 – Field Audit and Configuration Preparation

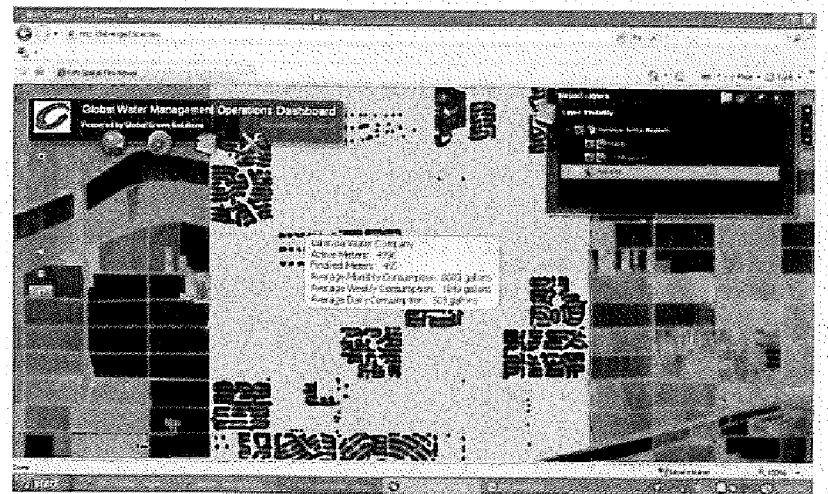
- 1) Visit each paper audit meter location or suspected meter location and photograph each meter location, meter serial number, and home or business.
- 2) Confirm and/or correct information loaded into the meter audit application.
- 3) Utilizing our GPS enabled cameras, record each GPS location or each photograph providing GPS locations for each meter box and meter.
- 4) Coordinate with City on meters that cannot be found.
- 5) Synchronize paper audit to field audit.
- 6) Confirm results with City.
- 7) Visit each well site, water reservoir, and station to develop a process flow diagram for each site. Photo document these sites.





TASK 4 – Customize Application

- 1) Complete pre-configuration of applications based on pre-configuration worksheets.
- 2) Load City of Grass Valley test data.
- 3) Begin system training and workflow verifications. This process provides management and staff the ability to begin training in the application while determining which prefigured workflows and tasks will be utilized by the City.
- 4) Complete configuration adjustments based on training and input received during training.
- 5) Load Asset Management data layers, scanned mapping, drawings, operations and maintenance manuals.
- 6) Load approved customer, account, and meter information into the CIS application.
- 7) Deploy Utility Master Data Management Interface for the City.
- 8) Train City staff in the use of the Geocentric Management work order system and reporting.



TASK 5 – System Testing and Online Bill Pay System

- 1) Generate a testing plan for City approval, complete with mock billing run.
- 2) Collect meter readings and process into test environment.
- 3) Generate billing insert to inform customers of the billing system change.
- 4) Present online bill payment and read history data of mock customers to City staff for approval.
- 5) Upon City approval, move the system to the live environment.

TASK 6 – Advance Meter Infrastructure Installation

- 1) During the Asset Management and Customer Information System deployment all digital collector locations will be identified utilizing a detailed propagation study designed to provide redundant coverage.
- 2) Once the propagation study is complete, all digital collectors will be installed using cell phone based connections to the FATHOM datacenter.
- 3) All procurement of meters, MTU's, and lids shall be completed using the data from the field audit and be available at the completion of the CIS system.
- 4) Upon completion of the CIS system, meters can be installed and instantly incorporated for billing and display to customers using the FATHOM GIS based installation tracking system and CIS meter exchange upload tool.
- 5) Meter installations are photo documented to ensure the final read of the old meter is correct, the location is correct, and the new meter and MTU are properly recorded. These photo and GPS locations are loaded into the GIS system.



GLOBAL WATER

- 6) Each day the GIS system uploads the data into the CIS system and automatically performs the meter change out work order. This allows the new meter to be available for billing and removal from the manual meter reading route immediately.
- 7) The utility master data management application has instant access to meter transmissions and is available for the City's use.
- 8) Testing and Acceptance procedures are established with the City and the trials agenda is completed to document the redundant coverage and an operational system.

Task 7 – Training and On-Site Support

While the FATHOM products have been designed to simplify and accelerate the learning curve, a learning curve exists with any new system. Therefore, Global Water ensures the City is capable of achieving the results through proper training and on-site support.

- 1) A training schedule and personnel list for each FATHOM product will be assembled with the City.
- 2) Global Water will train the City personnel per the training schedule and upon completion certify that each person has completed the training and has the basic skill sets to operate FATHOM
- 3) After FATHOM is set to work, FATHOM trainers or the project manager will be available on site a minimum of 2 days per week for the first month to answer questions and assist with the execution of daily tasks.
- 4) Certain employees will have their computers set up for shadowing, allowing the FATHOM support center to review activities with the employees and ensure processes are being properly executed.
- 5) On-going support – FATHOM provides a single point of contact for all support activities for the first six months the City is using FATHOM. This single point of contact ensures all issues are addressed either through software updates or additional training.
- 6) Long-term support – FATHOM will conduct quarterly review meetings with City management to document activities and review any issues. At the beginning of long term support, the City will be provided the FATHOM support 800 number and email addresses to complete on-going support activities. Of course the City can always contact the project manager to address any pressing issue that cannot be handled through standard support.

SCHEDULE

It is anticipated that the project can be completed within five months or 150 calendar days from an agreed upon start work notice date. We would anticipate this start work notice to be issued the first or second week of February.



Exhibit I - Hourly Rate

Global Water Rate

\$165/hour

1582802.2