



January 30, 2006

City of Jonesboro
Purchasing Department
515 West Washington Avenue
Jonesboro, AR 72401

RE: 2006:06
Lease Purchase Financing Proposal
Two (2) Knuckleboom Loaders

Municipal Services Group, Inc., in cooperation with River City Hydraulics of West Memphis, AR, is pleased to present this proposal for installment purchase financing of Two (2) Knuckleboom Loaders for the City of Jonesboro. We value your business, and look forward to assisting with this financing arrangement.

MSG has provided Installment Purchase Financing exclusively to public entities for over 17 years, providing our services accompanied by flexible terms and competitive rates to more than 3,000 municipalities nationwide. MSG provides a standardized document, which is easy to understand and execute.

As a measure of protection for its clients, MSG advance funds its transactions. This ensures interest rate protection and insulates the Municipality from assuming any market risk, while at the same time guaranteeing funds for the acquisition. In addition, under this advance funding structure, the quoted interest rate reflects an integration of anticipated earnings from the Acquisition Account into the payment stream. This results in a lower interest rate.

We are pleased that you have given us this financing opportunity and trust that this will meet your needs and objectives. If you have any questions or would like to discuss our services in greater detail, I can be reached at 800-861-0445, or via email at David@Munibank.com.

Please visit our website: www.munibank.com

Sincerely,

David Schneider
David Schneider, CPCU
Regional Manager
13950 Ballantyne Corporate Place
Suite 160
Charlotte, NC 28277

cc: Mr. Jamie McCoy/River City Hydraulics

**Municipal Installment-Purchase Financing Proposal
For the: City of Jonesboro
Acquisition of: Two (2) Knuckleboom Loaders**

EXECUTIVE SUMMARY

The tax-exempt Installment Purchase Agreement (sometimes referred to as a Tax-Exempt Lease) provides a quick, easy and cost effective method to facilitate essential acquisitions, while spreading the cost over a term within the useful life of the equipment or project being financed. Municipal managers have found this method of purchasing capital equipment and projects to be an invaluable cash flow management tool.

OBJECTIVE

Our objective in providing you with this financing includes:

- Providing funds for the Acquisition
- Offering Lease Administration throughout the Lease Term

SCOPE

The scope of our proposal includes:

- Terms and payment modes to meet individual needs
- Performing a timely credit analysis
- Rating and underwriting the transaction
- Immediate financing with Underwriting Approval
- Facilitating a Portfolio Allocation
- Advance Funding an Acquisition Account
- Fiduciary Management of all Acquisition Account Disbursements

INSTALLMENT STRUCTURE

The Installment Purchase structure used by our company is as follows:

- Tax Exempt for Entities so qualified
- Equity is established with each principal payment
- No Residual at end of term
- Facilitates legal documentation approved by recognized Bond Counsel
- Complies with the laws of the State of Arkansas
- Allows for Assignment by Municipal Services Group, Inc.

CREDIT REVIEW AND UNDERWRITING

Financial qualification assessment will require the following information to perform a credit review:

- Preceding three years' annual audited financial statements
- Interim, to date financial statement, if available
- Budget summary for the current fiscal year
- Demographic Highlights

YOUR RATE STRUCTURE

The rate structure prepared by MSG is predicated on the following:

- Moody's Rating of NR
- Source of repayment: Enterprise Fund with reliance upon the General Fund on an appropriations basis as a secondary and supplemental source of repayment in the event of a shortfall.
- Payments per the attached structure
- Project payments as set forth
- No more than 10% of the structure being utilized for private or commercial use as interpreted by the 1986 Tax Code, as amended

ACQUISITION ACCOUNT

Funds from MSG's portfolio will be deposited into the Acquisition Account upon commencement of the Installment Purchase Agreement, to facilitate the acquisition.

The portfolio allocation provides fully collateralized and liquid funds for settlement from the Acquisition Account, predicated upon delivery and acceptance by the Municipality. Providing MSG with appropriate certifications and such other forms of title appropriate to the nature of the acquisition, reflecting the proper security interest therein, enables MSG to effect wire transfer settlements to the respective vendors.

The account is established and managed by MSG for the Municipality, with disbursements made at the direction of the Municipality. Interest earnings accrue to the benefit of the Municipality in the form of a lower interest rate. **NO FEES ARE ASSESSED** to the Municipality for establishing the account, collateralizing the funds, management thereof, or disbursing payment. The disbursements are flexible, and are structured to accommodate the milestone disbursement scheduled supplied by the Municipality.

The Acquisition Account is structured as follows:

MSG assumes the responsibility of affecting the deposit of funds and the collateralization thereof, in an amount sufficient to facilitate the intended acquisition. To insure the availability of funds, prior to the times required for milestone disbursements, MSG's operational policy dictates that the funds be fully collateralized with U.S. Treasuries, and managed by MSG.

MSG's operational policy and procedure includes proper verification of delivery and acceptance by the Municipality, as well as verification, reconciliation, and processing with respect to UCC filings, processing and the proper recording of liens, which MSG's entire program provides. MSG's structural policy is in the best interest of both the Municipality and MSG, with respect to maintaining proper collateralization and a security interest therein.

DOCUMENTATION

- Lease and Option Agreement
- Required Exhibits
- UCC-1 Filing or applicable filings reflecting the MSG security interest in the collateral

Exhibit E
Schedule of Payments
Dated Date: January 30, 2006

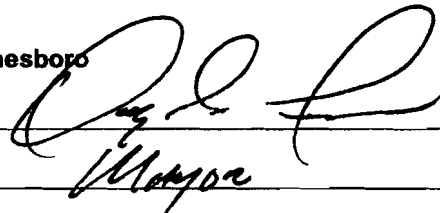
Two (2) Knuckleboom Loaders

	Date	Payment	Interest	Principal	Balance
Loan	3/30/2006				187,620.00
1	4/30/2006	3,419.02	725.18	2,693.84	184,926.16
2	5/31/2006	3,419.02	691.93	2,727.09	182,199.07
3	6/30/2006	3,419.02	681.73	2,737.29	179,461.78
4	7/31/2006	3,419.02	671.49	2,747.53	176,714.25
5	8/31/2006	3,419.02	661.21	2,757.81	173,956.44
6	9/30/2006	3,419.02	650.89	2,768.13	171,188.31
7	10/31/2006	3,419.02	640.53	2,778.49	168,409.82
8	11/30/2006	3,419.02	630.13	2,788.89	165,620.93
9	12/31/2006	3,419.02	619.70	2,799.32	162,821.61
10	1/31/2007	3,419.02	609.22	2,809.80	160,011.81
11	2/28/2007	3,419.02	598.71	2,820.31	157,191.50
12	3/31/2007	3,419.02	588.16	2,830.86	154,360.64
13	4/30/2007	3,419.02	577.57	2,841.45	151,519.19
14	5/31/2007	3,419.02	566.93	2,852.09	148,667.10
15	6/30/2007	3,419.02	556.26	2,862.76	145,804.34
16	7/31/2007	3,419.02	545.55	2,873.47	142,930.87
17	8/31/2007	3,419.02	534.80	2,884.22	140,046.65
18	9/30/2007	3,419.02	524.01	2,895.01	137,151.64
19	10/31/2007	3,419.02	513.18	2,905.84	134,245.80
20	11/30/2007	3,419.02	502.30	2,916.72	131,329.08
21	12/31/2007	3,419.02	491.39	2,927.63	128,401.45
22	1/31/2008	3,419.02	480.44	2,938.58	125,462.87
23	2/29/2008	3,419.02	469.44	2,949.58	122,513.29
24	3/31/2008	3,419.02	458.40	2,960.62	119,552.67
25	4/30/2008	120,000.00	447.33	119,552.67	0.00
Grand Totals		202,056.48	14,436.48	187,620.00	

City of Jonesboro

By: _____

Title: _____



Bid NO: 2006:06

Vehicle Condition Agreement

(a) Roadworthy. Each Vehicle will be in roadworthy condition, and all original equipment or replacement equipment of similar value made by the same manufacturer will be intact and in first class working condition, free of mechanical problems to any of its parts and accessories. Permanently installed attachments must remain with the Vehicle unless a written exception is executed by each of Lessor and Lessee. If attachments are removed, the Vehicle must be returned to its original condition.

(b) Cab and Body. The cost of necessary repairs to sheet metal (cab, body, fuel tanks) will not exceed four hours labor, flat rated against Mitchell or other industry accepted guide, and \$200 replacement parts at truck manufacturers published "fleet" price. All decals, permits, numbers, and other customer identification will be removed from each Vehicle by Lessee in such a manner as not to damage the surface. Interior trim will be free of tears and not glass will be broken, chipped or cracked. The windshield seal must be free of visible gasket/adhesive material. All mechanical and electrical equipment including radios, heaters and air conditioners must be in proper operating condition.

(c) Mechanical Power Train. The Vehicle just be capable of performing at 85% of its rated capacity, at the wheels, under full load without excess oil leakage or blow-by. The condition of the engine and power train will be determined by diagnostic testing conducted by National Truck Protection Co, Inc. Or conducted at a service center authorized by Lessor which uses National Truck Protection Co., Inc., standards. Passwords for the engine electronic program, if applicable, must be supplied.

(d) Systems. Cooling and lubrication systems will not be contaminated or leaking between fluid systems nor will any system be damaged by the failure to properly maintain fluids. Batteries must be of original CCA rating and capable of holding a charge starting the Vehicle.

(e) Tires, Wheels, and Brakes. Tires and wheels will be made of matched generic type, quality, and design as originally supplied and have at least 9/32" tread on front tires and 12/32" tread on rear tires. Front tires will be original casings. Rear tires may have first time recapped casings. Brake linings will have at least 50% remaining wear. There must be no irregular, or unusual wear or damage to the tread or sidewalls. All rear wheel positions must be of matched tread design.

(f) Documents and Records. Each Vehicle will have a title free and clear of all liens and encumbrances, meet any ICC requirements, have a state inspection certificate valid for at least 120 days after the date of return; proof of payment of ad valorem, highway and all other taxes, a copy of a vehicle maintenance packet, license plates and registration compliance, and a valid, current DOT inspection certification.

(g) Inspections. Vehicle to be available for inspection by Carolina Environmental to do a walk-around appraisal to insure vehicle meets stated terms. This is to be done before final payment made.

(h) Mileage: shall not exceed 30,000 miles per year or a deduction of 40 cents per mile over 30,000 miles per year would occur to agreed purchase terms.

RATE QUALITIES

These rates:

- Are based on current market conditions
- Ensure rate protection
- **Are valid for 30 days from the proposal date**

These rates are subject to the following:

- Credit approval based on previous three years' annual audited financial statements
- Proper execution of mutually acceptable documentation
- Opinion of Lessee's Counsel, which shall opine that the agreement is legal, valid, binding and qualified as a tax exempt obligation under the Tax Reform Act of 1986
- **This issue is Bank Qualified.**
- An acquisition account will be established for this financing, with a disbursement of funds to begin on March 30, 2006
- **DOCUMENTATION MUST BE RECEIVED BY: March 1, 2006**

RATE STRUCTURE:

Term:	2 Years
Acquisition Cost (\$93,810.00 X 2):	\$187,620.00
Capitalized Interest:	.00
First/Down Payment:	.00
Documentation Fee:	.00
Total Amount Financed:	\$187,620.00
Payment Mode:	Monthly In Arrears
Factor: *	.043643
Base Interest Rate:	4.49%
Treasury Note Index %: **	136.89%
Payment Amount:	\$3,419.02
Buy Back Amount (60,000 X 2):	\$120,000.00

* Should the amount to be financed vary, simply multiply the new amount times the factor to determine the payment

** Provided all documents have been returned in a form acceptable to Lessor within ten (10) days of the Dated Date (the 'Period'), then the Base Interest Rate can remain in effect during the Period. In the event all documents have not been returned within the Period, in a form acceptable to Lessor, and/or if the U.S. Treasury Note Yield for a maturity comparable to the Agreement Term increases significantly, the Lessor reserves the right to adjust and determine a new Base Interest Rate (the 'Adjusted Base Interest Rate'). The Adjusted Base Interest Rate shall be determined by the Lessor (for a comparable maturity) by: (1) multiplying the U.S. Treasury Note Yield by the U.S. Treasury Note Index Percent. This calculation shall be applicable as of the business day immediately preceding the receipt of the documents by the Lessor. The product of the indexed U.S. Treasury rate shall be reconciled to the appropriate Bloomberg Scale of tax exempt yields so as to assure a minimum of 15 basis points over the yield of the selected Bloomberg Scale. Lessor in its sole discretion may at the time of such calculation determine which Bloomberg classification is most appropriate and applicable to determine the Adjusted Base Interest Rate. The Adjusted Base Interest Rate will be used to amortize the Principal Balance and will be fixed for the term of the lease at closing.