

Report summary of the lease agreement for the solar energy system.

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The infrastructure committee was asked by the condo board liaison member to review and prepare a brief summary of the master lease agreement for the solar energy system installed in the year 2013.

MASTER LEASE AGREEMENT

The master lease agreement dated September 21, 2012 is between Equipment Leasing Services, LLC ("Lessor") and Venture Out At Mesa Inc.("Lessee") Although the date of the agreement is September 21, 2012 the effective start date of the agreement begins after the installation of the equipment which was March, 2013 referred to as the "Base Term".

There are various lists of equipment included in the lease and each list has a separate value and a separate monthly lease value. All equipment is included in the master lease agreement.

The base term for the lease is for a period of 240 months (20 years).

PURCHASE OPTION

The lease contains an early termination and purchase option provision and base monthly rental adjustment. Venture Out At Mesa Inc. has the option to purchase the equipment after a period of 66 months (5.5 years), 144 months (12 years) and 180 months (15 years).

In order for a purchase option to be in effect, written notice must be given 6 months prior to the option date.

The purchase option agreement contains a formula to determine the purchase amount (referred to as the final lease payment). The purchase amount is calculated as the "discounted present value of the remaining lease payments due after the purchase date". In addition to this formula, a minimum final lease

payment amount is given. This amount varies dependent on the remaining term of the base lease.

If the purchase option is exercised, all equipment listed under the lease agreement must be included.

OTHER NOTES AND CONSIDERATIONS

In addition to the lease agreement for the equipment, Venture Out has an agreement with Sun Renu Solar, LLC. for the operations and maintenance of the equipment. This agreement dated March 20, 2017 is for a period of 2 years and can be extended in one year increments.

No consideration was given by the writer as to whether or not the lease constitutes a capital lease or an operating lease. The audited financial statements for Venture Out reports the lease to be an operating lease.

The writer would suggest that any future condo board which considers exercising the purchase option for the equipment, enquire and determine the actual option price many months prior to the date which the exercise option letter must be submitted. Any exercise of the purchase option must be submitted in writing to the lessor six months prior to the option date.