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IN THE CHANCERY COURT
OF ATTALA COUNTY, MISSISSIPPI

MERCHANTS AND FARMERS BANK

PLAINTIFF

V.

CAUSE NO. 2008-354

MARQUETTE EQUIPMENT FINANCE, LLC

DEFENDANT

COMPLAINT

Plaintiff Merchants and Farmers Bank, by its undersigned counsel, files this civil action against Defendant Marquette Equipment Finance, LLC for declaratory judgment, and alleges the following:

PARTIES

1. Merchants and Farmers Bank (hereinafter "M&F") a corporation duly organized and existing under the laws of the State of Mississippi and has its principal place of business in Attala County, Mississippi.

2. Defendant Marquette Equipment Finance, LLC (hereinafter "Marquette") is a limited liability company with its principal place of business in Midvale, Utah and is doing business in the State of Mississippi. Defendant Marquette can be served with process on its registered agent for service of process, CT Corporation System, 136 East South Temple, Suite 2100, Salt Lake City, Utah 84111.

VENUE

3. Venue is proper with this Court pursuant to Miss. Code Ann. § 11-5-1.

FACTS

4. Plaintiff incorporates by reference the allegations of Paragraphs 1 through 4.

5. On or about October 2, 2003, M&F entered into a written lease agreement (hereinafter the "Lease") with Applied Financial, LLC (hereinafter "Applied") to lease computer

equipment and software (hereinafter the "Property") owned by Applied for use at M&F's office in Attala County. A copy of said Lease is attached hereto as Exhibit 1.

6. Exhibit A to the Lease is Lease Schedule No. 001 (hereinafter the "Schedule") which describes the Property being leased, and set an initial term of sixty (60) months (hereinafter "Initial Period").

7. Applied assigned its interest in the Lease to Defendant Marquette.

8. Section 19(g) of the Lease includes several options that could be exercised by M&F at the end of the Initial Period of the Lease. The options include (1) M&F purchasing the Property for a price to be determined by Marquette and M&F (hereinafter "Option 1"); (2) extending the lease for twelve (12) additional months at a specified rate (hereinafter "Option 2"); or (3) M&F "return[ing] the Property to [Marquette] at [M&F]'s expense to a destination within the continental United States specified by [Marquette] and terminate the Schedule" (hereinafter "Option 3"). The Lease provides that "for Option 3 to apply, all accrued but unpaid late charges, interest, taxes, penalties, and any and all other sums due and owing under the Schedule must first be paid in full, the provision of Sections 6(c), and (d) and 7(c) [of the Lease] must be specifically complied with, and [M&F] must enter into a new Schedule with [Marquette] to lease Property which replaces the Property listed on the old Schedule."

9. The Lease further provides that "[i]n the event [Marquette] and [M&F] have not agreed to either Option 1 or 3 by the end of the Initial Period of if [M&F] fails to give written notice of its option via certified mail at least one-hundred-eighty (180) days prior to the termination of the Initial Period, then Option 2 shall apply at the end of the Initial Period."

10. M&F has paid all charges, interest, taxes penalties and other sums due and owing under the Lease and Schedule.

11. More than 180 days prior to termination of the Initial Period of the Lease, M&F notified Marquette of its intent to exercise Option 3 upon termination of the Initial Period of the Lease.

12. Despite M&F's attempt to exercise its rights under Option 3 of Paragraph 19(g) of the Lease, Marquette has refused to recognize M&F's right to exercise Option 3 and instead claims that in order for M&F to exercise its rights under Option 3, M&F must lease the new equipment and also finance an amount equal to the purchase price of the original Property as provided in Option 1 of the Lease. Marquette's position is without contractual basis or otherwise, and constitutes bad faith in performance of its obligations.

COUNT I – Declaratory Judgment

13. Plaintiff incorporates the allegations contained in paragraphs 1 through 12 above.

14. An actual controversy exists between Plaintiff and Defendant concerning their respective rights under the Lease.

15. Plaintiff respectfully requests a determination of its rights and duties with respect to the Lease. Specifically, Plaintiff requests a declaration, pursuant to Miss. R. Civ. P. 57, that M&F is not required to refinance Marquette's unilateral price for the original Property in order to exercise its rights under Option 3 of the Lease.

16. M&F further seeks a declaration that the provisions of paragraph 19(g) which essentially make it impossible for M&F to terminate the Lease without the consent of Marquette, is unconscionable and against public policy.

17. Finally, M&F seeks a declaration that because it has tendered performance under the Lease which has been rejected by Marquette in bad faith, it has no further obligations under the Lease other than payment of the monthly lease payment through the Initial Period.

WHEREFORE, PREMISES CONSIDERED, Plaintiff respectfully requests the following relief:

- a. a declaratory judgment pursuant to Miss. R. Civ. P. 57 that M&F is entitled to return the Property to Marquette and enter into a new lease for alternate property without the requirement of purchasing the Property;
- b. a declaratory judgment pursuant Miss. R. Civ. P. 57 that the provisions of paragraph 19(g) which essentially make it impossible for M&F to terminate the Lease without the consent of Marquette, is unconscionable and against public policy.
- c. a declaratory judgment pursuant to Miss. R. Civ. P. 57 that M&F has no further obligation under the Lease other than payment of the monthly lease payment through the Initial Period.;
- d. attorneys' fees resulting from M&F having to protect its rights being threatened by Marquette's bad faith; and
- e. any and all such other relief as the Court deems proper

THIS, 19th day of December, 2008:

Respectfully submitted,

MERCHANTS AND FARMERS BANK

By Its Attorneys
WATKINS LUDLAM WINTER & STENNIS, P.A.

By 
W. WHITAKER RAYNER

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By Paula Miller D.C.

ORIGINAL

APPLIED FINANCIAL, LLC
6975 Union Park Center, Suite 200
Midvale, Utah 84047

MASTER LEASE AGREEMENT NO. APT0367

This Master Lease Agreement, together with its definition exhibit, Exhibit "A", attached hereto and made a part hereof by reference, is made on October 2, 2003, between APPLIED FINANCIAL, LLC, with its principal office at 6975 Union Park Center, Suite 200, Midvale, UT 84047 (the "Lessor") and MERCHANTS AND FARMERS BANK, a corporation organized in the state of Mississippi, with its chief executive office located at 134 W. Washington Street, Kosciusko, MS 39090 (the "Lessee").

Capitalized terms not defined herein shall have the meanings ascribed to them in Exhibit "A" or in the Schedule.

1. LEASE:

Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor the Property described in any Schedule executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement. Each Schedule shall incorporate by reference the terms and conditions of this Master Lease Agreement, and together with the Acceptance Certificate and Master Progress Funding Agreement, if applicable, shall constitute a separate Lease. In the event of conflict between the provisions of this Master Lease Agreement and any Schedule, the provisions of the Schedule shall govern.

2. CONDITIONS PRECEDENT:

Lessor's obligations under each Schedule are conditioned upon Lessor's receipt of and determination that the following are satisfactory to Lessor: (a) lien searches in the jurisdiction of Lessee's organization and in each jurisdiction in which the Property and/or Lessee's chief executive office are located; (b) if requested by Lessor, a certified copy of Lessee's organizational documents; and (c) if requested by Lessor, certificates of good standing from the jurisdiction of Lessee's organization and evidence of Lessee's organizational number.

3. TERM OF LEASE:

The term of any Lease, as to all Property designated on the applicable Schedule, shall commence on the Acceptance Date for such Property, and shall continue for an Initial Period ending that number of months from the Commencement Date as specified in the Schedule. Thereafter, Lessee shall have those options provided in Section 19(g) of this Master Lease Agreement.

4. RENT AND PAYMENT:

Lessee shall pay as rent for use of the Property, aggregate rentals equal to the sum of all the Monthly Rentals and other payments due under the Lease for the entire Initial Period. The Monthly Rental shall begin on the Acceptance Date and shall be due and payable by Lessee in advance on the first day of each month throughout the Initial Period. If the Acceptance Date does not fall on the first day of a calendar quarter, then the first rental payment shall be calculated by multiplying the number of days from and including the Acceptance Date to the Commencement Date by a daily rental equal to one-thirtieth (1/30) of the Monthly Rental, and shall be due and payable on the Acceptance Date. Lessee shall pay all rentals to Lessor, or its assigns, at Lessor's address set forth above (or as otherwise directed in writing by Lessor, or its assigns), without notice or demand. **LESSEE SHALL NOT ABATE, SET OFF OR DEDUCT ANY AMOUNT OR DAMAGES FROM OR REDUCE ANY MONTHLY RENTAL OR OTHER PAYMENT DUE FOR ANY REASON. THIS LEASE IS NON-CANCELABLE FOR THE ENTIRE TERM OF THE INITIAL PERIOD AND ANY EXTENSION PERIODS.**

If any rental or other payment due under any Lease shall be unpaid after its due date, Lessee will pay on demand, as a late charge, but not as interest, the greater of twenty-five dollars (\$25.00) or five percent (5%) of any such unpaid amount but in no event to exceed maximum lawful charges.

5. TAXES:

Lessee shall pay to Lessor all taxes, fees, assessments and charges paid, payable or required to be collected by Lessor, however designated, which are levied or based on the Monthly Rental or other payment due under the Lease, or on the

EXHIBIT

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possession, use, operation, lease, rental, sale, purchase, control or value of the Property, including without limitation, registration and license fees and assessments, state and local privilege or excise taxes, documentary stamp taxes or assessments, sales and use taxes, personal and other property taxes, and taxes or charges based on gross revenue, but excluding taxes based on Lessor's net income. Lessee shall promptly remit to Lessor all taxes in advance of their payment due date. Lessee shall pay all penalties and interest resulting from its failure to timely remit all taxes to Lessor. Lessee also agrees to pay all servicing costs associated with processing and paying sales and property taxes. Lessor shall file all required sales and use tax and personal property tax returns and reports concerning the Property with all applicable governmental agencies.

6. USE; ALTERATIONS AND ATTACHMENTS:

(a) After Lessee receives and inspects any Property and is satisfied that the Property is satisfactory, Lessee shall execute and deliver to Lessor an Acceptance Certificate in form provided by Lessor; provided, however, that Lessee's failure to execute and deliver an Acceptance Certificate for any Property shall not affect the validity and enforceability of the Lease with respect to the Property. If Lessee has signed and delivered a Master Progress Funding Agreement, Lessor may, in its sole discretion, at any time by written notice to Lessee, declare all prior Authorizations (defined in the Master Progress Funding Agreement) signed in connection with the Master Progress Funding Agreement to be and constitute the Acceptance Certificate for all purposes under the Lease, and the Acceptance Date of the Lease shall be the date determined by Lessor in its sole discretion which shall not be earlier than the date of the last Authorization.

(b) Lessee shall at all times keep the Property in its sole possession and control. The Property shall not be moved from the location stated in the Schedule without the prior written consent of Lessor.

(c) Lessee shall cause the Property to be installed, used, operated and, at the termination of the Lease, if applicable, removed (i) in accordance with any applicable manufacturer's manuals or instructions; (ii) by competent and duly qualified personnel only; and (iii) in accordance with applicable governmental regulations.

(d) Lessee may not make alterations or attachments to the Property without first obtaining the written consent of Lessor. Any such alterations or attachments shall be made at Lessee's expense and shall not interfere with the normal and satisfactory operation or maintenance of the Property. The manufacturer may incorporate engineering changes or make temporary alterations to the Property upon request of Lessee. Unless Lessor shall otherwise agree in writing, all such alterations and attachments shall be and become the property of Lessor upon their attachment to the Property or, at the option of Lessor, shall be removed by Lessee at the termination of the Lease and the Property restored at Lessee's expense to its original condition, reasonable wear and tear only accepted.

(e) The Property consists solely of personal property and not fixtures. The Property is removable from and is not essential to the premises at which the Property is located. The Property is and shall remain personal property during the term of the Lease notwithstanding that any portion thereof may in any manner become affixed, attached to or located on real property or any building or improvement thereon. Lessee shall not affix or attach any of the Property to any real property in any manner which would change its nature from that of personal property to real property or to a fixture or permit such to occur. Lessee shall not permit the Property to become an accession to other goods or a fixture to or part of any real property. Lessee will obtain and deliver to Lessor a lien waiver in a form satisfactory to Lessor, from all persons not a party hereto who might claim an interest, lien or other claim in the Property.

(f) In the event the Property includes Software, the following shall apply: (i) Lessee shall possess and use the Software in accordance with the terms and conditions of any License agreement entered into with the owner/vendor/licensor of such Software and shall not breach the License (at Lessor's request, Lessee shall provide a complete copy of the License to Lessor); (ii) Lessee agrees that Lessor has an interest in the License and Software due to its payment of the price thereof and is an assignee or third-party beneficiary of the License; (iii) as due consideration for Lessor's payment of the price of the License and Software and for providing the Software to Lessee at a lease rate (as opposed to a debt rate), Lessee agrees that Lessor is leasing (and not financing) the Software to Lessee; (iv) except for the original price paid by Lessor, Lessee shall, at its own expense, pay promptly when due all servicing fees, maintenance fees, update and upgrade costs, modification costs, and all other costs and expenses relating to the License and Software and maintain the License in effect during the term of the Lease; and (v) the Software shall be deemed Property for all purposes under the Lease.

(g) Lessee shall comply with all applicable laws, regulations, requirements, rules and orders, all manufacturer's instructions and warranty requirements, and with the conditions and requirements of all policies of insurance with respect to the Property and the Lease.

(h) The Property is leased solely for commercial or business purposes.

7. MAINTENANCE AND REPAIRS; RETURN OF PROPERTY:

(a) During the continuance of each Lease, Lessee shall, at its own expense, and in accordance with all manufacturer maintenance specifications, (i) keep the Property in good repair, condition and working order; (ii) make all necessary adjustments, repairs and replacements; (iii) furnish all required parts, mechanisms, devices and servicing; and (iv) not use or permit the Property to be used for any purpose for which, in the opinion of the manufacturer, the Property is not designed or reasonably suitable. Such parts, mechanisms and devices shall immediately become a part of the Property for all purposes hereunder and title thereto shall vest in Lessor. If the manufacturer does not provide maintenance specifications, Lessee shall perform all maintenance in accordance with industry standards for like property.

(b) During the continuance of each Lease, Lessee shall, at its own expense, enter into and maintain in force a contract with the manufacturer or other qualified maintenance organization reasonably satisfactory to Lessor for maintenance of each item of Property that requires such a contract. Such contract as to each item shall commence upon the earlier of the Authorization date, if applicable, or the Acceptance Date. Lessee shall furnish Lessor with a copy of such contract or provide to Lessor satisfactory evidence of self-maintenance, in Lessor's sole discretion, upon demand.

(c) Lessee shall pay all shipping and delivery charges and other expenses incurred in connection with the Property. Upon default, or at the expiration or earlier termination of any Lease, Lessee shall, at its own expense, assemble, prepare for shipment and promptly return the Property to Lessor at the location within the continental United States designated by Lessor. Upon such return, the Property shall be in the same operating order, repair, condition and appearance as on the Acceptance Date, except for reasonable wear and tear from proper use thereof, and shall include all engineering changes theretofore prescribed by the manufacturer. Lessee shall provide maintenance certificates or qualification letters and/or arrange for and pay all costs which are necessary for the manufacturer to accept the Property under contract maintenance at its then standard rates ("recertification"). The term of the Lease shall continue upon the same terms and conditions until such recertification has been obtained.

(d) With regard to Software, at the expiration or earlier termination of any Lease, or upon demand by Lessor upon the occurrence of an Event of Default (hereinafter defined) under the Lease, Lessee shall (i) delete from its systems all Software then installed; (ii) destroy all copies or duplicates of the Software which were not returned to Lessor; and (iii) cease using the Software altogether. Upon its receipt from Lessee, Lessor shall be responsible to return the Software to the owner/vendor/licensor so that Lessee shall not be in breach of any software license.

8. OWNERSHIP AND INSPECTION:

(a) The Property shall at all times be the property of Lessor or its assigns, and Lessee shall have no right, title or interest therein except as to the use thereof subject to the terms and conditions of the Lease. For purposes of the foregoing, Lessee transfers to Lessor all of Lessee's right, title and interest (including all ownership interest) in and to the Property free and clear of all liens, security interests and encumbrances. Lessor may affix (or require Lessee to affix) tags, decals or plates to the Property indicating Lessor's ownership, and Lessee shall not permit their removal or concealment. Lessee shall not permit the name of any person or entity other than Lessor or its assigns to be placed on the Property as a designation that might be interpreted as a claim of ownership or security interest.

(b) **LESSEE SHALL KEEP THE PROPERTY AND LESSEE'S INTEREST UNDER ANY LEASE FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES, EXCEPT THOSE PERMITTED IN WRITING BY LESSOR OR ITS ASSIGNS.**

(c) Lessor, its assigns and their agents shall have free access to the Property at all reasonable times during normal business hours for the purpose of inspecting the Property and for any other purpose contemplated in the Lease. Lessee shall pay all inspection costs incurred by Lessor.

(d) Lessee shall immediately notify Lessor in writing of all details concerning any damage or loss to the Property, including without limitation, any damage or loss arising from the alleged or apparent improper manufacture, functioning or operation of the Property.

9. WARRANTIES:

(a) Lessee acknowledges that Lessor is not the manufacturer of the Property nor the manufacturer's agent nor a dealer therein. The Property is of a size, design, capacity, description and manufacture selected by the Lessee. Lessee is satisfied that the Property is suitable and fit for its purposes. LESSEE AGREES THAT LESSOR HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY OR REPRESENTATION WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO: (i) THE DESCRIPTION, CONDITION, DESIGN, QUALITY OR PERFORMANCE OF THE PROPERTY OR QUALITY OR CAPACITY OF MATERIALS OR WORKMANSHIP IN THE PROPERTY; (ii) ITS MERCHANTABILITY OR FITNESS OR SUITABILITY FOR A PARTICULAR PURPOSE WHETHER OR NOT DISCLOSED TO LESSOR; AND (iii) DELIVERY OF THE PROPERTY FREE OF THE RIGHTFUL CLAIM OF ANY PERSON BY WAY OF INFRINGEMENT OR THE LIKE. LESSOR EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES. If the Software is not properly installed, does not function as represented or warranted by original owner/vendor/licensor, or is unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against original owner/vendor/licensor and shall nevertheless pay all sums payable under the Lease, Lessee hereby waiving the right to make any such claims against Lessor. Lessor shall not be liable to Lessee for any loss, damage or expense of any kind or nature caused, directly or indirectly, by the Property or the use, possession or maintenance thereof, or the repair, service or adjustment thereof, or by any delay or failure to provide any such maintenance, repair, service or adjustment, or by any interruption of service or loss of use thereof (including without limitation, Lessee's use of or right to use any Software) or for any loss of business howsoever caused.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE LEASE, LESSOR SHALL NOT, UNDER ANY CIRCUMSTANCES, BE LIABLE TO LESSEE OR ANY THIRD PARTY, FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED TO THE TRANSACTION CONTEMPLATED HEREUNDER, WHETHER IN AN ACTION BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR ANY OTHER LEGAL THEORY, INCLUDING WITHOUT LIMITATION, LOSS OF ANTICIPATED PROFITS, OR BENEFITS OF USE OR LOSS OF BUSINESS, EVEN IF LESSOR IS APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES OCCURRING.

IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF ANY LEASE WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES, IS INTENDED BY THE PARTIES TO BE SEVERABLE FROM ANY OTHER PROVISION AND IS A SEPARABLE AND INDEPENDENT ELEMENT OF RISK ALLOCATION AND IS INTENDED TO BE ENFORCED AS SUCH.

(c) Lessor assigns to Lessee all assignable warranties on the Property, including without limitation any warranties described in Lessor's purchase contract, which assignment shall be effective only (i) during the Initial Period and any extensions thereof; and (ii) so long as no Event of Default exists.

10. NET LEASE; LESSEE'S OBLIGATIONS ABSOLUTE AND UNCONDITIONAL:

All Leases are "net leases" and, as between Lessor and Lessee, Lessee shall be responsible for and shall indemnify Lessor against, all costs, expenses and claims of every nature whatsoever arising out of or in connection with or related to the Lease or the Property.

Lessee agrees that its obligation to pay Monthly Rentals and other obligations under the Lease shall be irrevocable, independent, absolute and unconditional and shall not be subject to any abatement, reduction, recoupment, defense, offset or counterclaim otherwise available to Lessee; nor, except as otherwise expressly provided herein or as agreed to by Lessor in writing, shall any Lease terminate for any reason whatsoever prior to the end of the Initial Period.

11. ASSIGNMENT BY LESSOR:

Lessor may assign or transfer its rights and interests in the Lease and Property to Lessor's Assignee either outright or as security for loans. Upon notice of any such assignment and instructions from Lessor, Lessee shall pay its Monthly Rental and other payments and perform its other obligations under the Lease to the Lessor's Assignee (or to another party designated by Lessor's Assignee). Upon any such sale or assignment, LESSEE'S OBLIGATIONS TO LESSOR'S ASSIGNEE UNDER THE ASSIGNED LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL AND LESSEE WILL NOT ASSERT AGAINST LESSOR'S ASSIGNEE ANY CLAIM, DEFENSE, OFFSET OR COUNTERCLAIM WHICH LESSEE MIGHT HAVE AGAINST LESSOR. Lessee waives and will not assert against any assignee of Lessor any claims,

defenses, or set-offs which Lessee could assert against Lessor. Lessor's Assignee shall have all of the rights but none of the obligations of Lessor under the assigned Lease, and after such assignment Lessor shall continue to be responsible for all of Lessor's obligations under the Lease.

Upon any such assignment, Lessee agrees to promptly execute or otherwise authenticate and deliver to Lessor estoppel certificates, acknowledgments of assignment, records and other documents requested by Lessor which acknowledge the assignment, affirmation of provisions of the Lease which may be required to effect the Underwriting. Lessee authorizes Lessor's assigns to file UCC-1 financing statements or precautionary filings as Lessor or its assigns deem necessary. Lessor's assigns are authorized to take any measures necessary to protect their interest in the Property.

Only one executed counterpart of any Schedule shall be marked "Original"; any other executed counterparts shall be marked "Duplicate Original" or "Counterpart". No security interest in any Schedule may be created or perfected through the transfer or possession or control, as applicable, of any counterpart other than the document or record, as applicable, marked "Original".

12. RISK OF LOSS ON LESSEE:

From the earlier of the date the supplier ships the Property to Lessee or the date Lessor confirms Lessee's purchase order or contract to supplier until the date the Property is returned to Lessor as provided in the Lease, Lessee hereby assumes and shall bear all risk of loss for theft, damage or destruction to the Property, howsoever caused. NO SUCH LOSS OR DAMAGE SHALL IMPAIR ANY OBLIGATION OF LESSEE UNDER THIS LEASE WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.

In the event of damage or loss to the Property (or any part thereof) and irrespective of payment from any insurance coverage maintained by Lessee, but applying full credit therefore, Lessee shall at the option of Lessor, (a) place the Property in good repair, condition and working order; or (b) replace the Property (or any part thereof) with like property of equal or greater value, in good repair, condition and working order and transfer clear title to such replacement property to Lessor whereupon such replacement property shall be deemed the Property for all purposes under the Lease; or (c) pay to Lessor the total rent due and owing at the time of such payment plus an amount calculated by Lessor which is equal to the Casualty Loss Value (defined in the Casualty Loss Schedule) specified in the Casualty Loss Schedule attached to the Schedule.

13. INSURANCE:

Lessee shall obtain and maintain for the entire time the Lease is in effect, at its own expense (as primary insurance for Lessor and Lessee), property damage and liability insurance and insurance against loss or damage to the Property including without limitation loss by fire (including so-called extended coverage), theft, collision and such other risks of loss as are customarily insured against on the type of Property leased under any lease and by businesses in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor; provided, however, that the amount of insurance against loss or damage to the Property shall be equal to or greater than the Casualty Loss Value of such items of Property as specified in the Casualty Loss Schedule attached to the Schedule. Each insurance policy will name Lessee as insured and Lessor and its assignees as additional insureds and loss payees thereof, shall contain cross-liability endorsements and shall contain a clause requiring the insurer to give Lessor and its assignees at least thirty (30) days prior written notice of any material alteration in the terms of such policy or of the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance or other evidence satisfactory to Lessor that such insurance coverage is in effect; provided, however, that Lessor shall be under no duty either to ascertain the existence of or to examine such insurance policy or to advise Lessee in the event such insurance coverage shall not comply with the requirements hereof. All insurance covering loss or damage to the Property shall contain a breach of warranty clause satisfactory to Lessor.

14. INDEMNIFICATION:

Lessee shall indemnify and hold Lessor harmless from and against any and all claims, (including without limitation negligence, tort and strict liability), damages, judgments, suits and legal proceedings, and any and all costs and expenses in connection therewith (including attorney fees incurred by Lessor either in enforcing this indemnity or in defending against such claims), arising out of or in any manner connected with or resulting from the Lease or the Property, including, without limitation the manufacture, purchase, financing, ownership, rejection, non-delivery, transportation, delivery, possession, use, operation, maintenance, condition, lease, return, storage or disposition thereof; including without limitation (a) claims for injury to or death of persons and for damage to property; (b) claims relating to patent, copyright, or trademark infringement; (c) claims relating to latent or other defects in the Property whether or not discoverable by Lessor; and (d) claims for wrongful,

negligent or improper act or misuse by Lessor. Lessee agrees to give Lessor prompt notice of any such claim or liability. For purposes of this paragraph and any Lease, the term "Lessor" shall include Lessor, its successors and assigns, shareholders, members, owners, partners, directors, officers, representatives and agents, and the provisions of this paragraph shall survive expiration of any Lease with respect to events occurring prior thereto.

Upon request of Lessor, Lessee shall assume the defense of all demands, claims, or actions, suits and all proceedings against Lessor for which indemnity is provided and shall allow Lessor to participate in the defense thereof. Lessor shall be subrogated to all rights of Lessee for any matter which Lessor has assumed obligation hereunder, and may settle any such demand, claim, or action without Lessee's prior consent, and without prejudice to Lessor's right to indemnification hereunder.

15. DEFAULT:

An "Event of Default" shall occur under any Lease if:

- (a) Lessee fails to pay any Monthly Rental or other payment required under the Lease when the same becomes due and payable and such failure continues for ten (10) days after its due date;
- (b) Lessee attempts to or does, remove, sell, assign, transfer, encumber, sublet or part with possession of any one or more items of the Property or any interest under any Lease, except as expressly permitted herein, or permits a judgment or other claim to become a lien upon any or all of Lessee's assets or upon the Property;
- (c) Lessee permits any item of Property to become subject to any levy, seizure, attachment, assignment or execution; or Lessee abandons any item of Property;
- (d) Lessee or any guarantor, fails to observe or perform any of its covenants and obligations required to be observed or performed under the Lease and such failure continues uncured for ten (10) days after occurrence thereof, except that the ten (10) day cure period shall not apply and an Event of Default shall occur immediately upon Lessee's failure to maintain insurance;
- (e) Lessee or any guarantor, breaches any of its representations and warranties made under any Lease, or if any such representations or warranties shall be false or misleading in any material respect;
- (f) Lessee or any guarantor, shall (i) be adjudicated insolvent or a bankrupt, or cease, be unable, or admit its inability, to pay its debts as they mature, or make a general assignment for the benefit of creditors or enter into any composition or arrangement with creditors; (ii) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of a substantial part of its property, or authorize such application or consent, or proceedings seeking such appointment shall be instituted against it without such authorization, consent or application and shall continue undismissed for a period of sixty (60) days; (iii) authorize or file a voluntary petition in bankruptcy or apply for or consent to the application of any bankruptcy, reorganization in bankruptcy, arrangement, readjustment of debt, insolvency, dissolution, moratorium or other similar law of any jurisdiction, or authorize such application or consent; or proceedings to such end shall be instituted against it without such authorization, application or consent and such proceeding instituted against it shall continue undismissed for a period of sixty (60) days;
- (g) Lessee or any guarantor, shall suffer an adverse change in its financial condition after the date hereof as determined by Lessor in its sole discretion, or there shall occur a substantial change in ownership of the outstanding stock of Lessee or a substantial change in control of its board of directors;
- (h) Lessee shall be in default under any other Schedule or agreement executed with Lessor; or shall fail to sign or otherwise authenticate and deliver to Lessor any document or record requested by Lessor in connection with any Lease or shall fail to do any thing determined by Lessor to be necessary or desirable to effectuate the transaction contemplated by the Lease or to protect Lessor's rights and interests in the Lease and Property; or shall fail to provide financial statements to Lessor as provided in Section 19(h) hereof, or if Lessee is in default of any agreement with any party other than Lessor;
- (i) Lessee breaches any License, maintenance or other agreement for Software or fails to pay when due all servicing fees, maintenance fees, update and upgrade costs, modification costs, and all other costs and expenses relating to the License and Software and fails to maintain the License in effect during the term of the Lease;

(j) Lessee fails to promptly execute or otherwise authenticate and deliver to Lessor or its assigns any document or record, as applicable, required under the terms of this Master Lease Agreement;

(k) Lessee shall have terminated or changed its corporate existence, consolidated with, merged into, or conveyed or leased substantially all of its assets to any person or entity, unless: (i) such person or entity executes and delivers to Lessor an agreement satisfactory in form and substance to Lessor, in its sole discretion, containing such person's or entity's effective assumption, and its agreement to pay, perform, comply with and otherwise be liable for, in a due and punctual manner, all of Lessee's obligations having previously arisen, or then or thereafter arising, under the Lease, together with any and all documents, agreements, instruments, certificates, opinions and filings requested by Lessor; (ii) Lessor is satisfied as to the creditworthiness of such person's or entity's conformance to other standard criteria then used by Lessor for such purposes; and (iii) Lessee has provided no less than thirty (30) days prior written notice of such occurrence to Lessor or its assigns.

(l) Lessor in good faith believes the Property to be in danger of misuse, abuse or confiscation or to be in any other way threatened, or believes in good faith for any other reason that the prospect of payment or performance has become impaired, or if Lessee takes any action, makes any representation, or fails to do any thing requested by Lessor, at any time before or after the execution of this Master Lease Agreement, the result of which causes Lessor, in good faith, to believe that the prospect of Lessee's payment or performance under the Lease is impaired, or otherwise causes Lessor to feel insecure in funding or continuing to fund the Lease or any Schedule.

16. REMEDIES:

Upon the occurrence of any Event of Default and at any time thereafter, Lessor may, with or without giving notice to Lessee and with or without canceling the Lease, do any one or more of the following:

- (a) enforce this Master Lease Agreement according to its terms;
- (b) advance funds on Lessee's behalf to cure the Event of Default, whereupon Lessee shall immediately reimburse Lessor therefore, together with late charges accrued thereon;
- (c) refuse to deliver the Property to Lessee;
- (d) upon notice to Lessee, refuse to fund any schedule(s) pursuant to the Lease;
- (e) upon notice to Lessee, cancel this Master Lease Agreement and any or all Schedules executed pursuant thereto;
- (f) require additional collateral to secure the Lease;
- (g) declare any Lease or Leases immediately due and payable;
- (h) if Lessor determines, in its sole discretion, not to take possession of the Property, Lessor shall continue to be the owner of the Property and may, but is not obligated to, dispose of the Property by sale or otherwise, all of which determinations may be made by Lessor in its sole discretion and for its own account;
- (i) declare immediately due and payable all amounts due or to become due hereunder for the full term of the Lease (including any renewal or purchase options which Lessee has contracted to pay);
- (j) with or without terminating the Lease, recover the Casualty Loss Value of the Property as of the rent payment date immediately preceding the date of default together with all costs and expenses incurred by Lessor in the repossession, recovery, storage, repair, sale, re-lease or other disposition of the Property, including without limitation, reasonable attorney fees and costs incurred in connection therewith or otherwise resulting or arising from Lessee's default, and any indemnity if then determinable, plus interest on all of the above until paid (before and after judgment) at the lesser of the rate of eighteen percent (18%) per annum or the highest rate permitted by law;
- (k) without notice to Lessee, repossess the Property wherever found, with or without legal process, and for this purpose Lessor and/or its agents or assigns may enter upon any premises of or under the control or jurisdiction of Lessee or any agent of Lessee, without liability for suit, action or other proceeding by Lessee (any damages occasioned by such repossession

being hereby expressly waived by Lessee) and remove the Property therefrom; Lessee further agrees on demand, to assemble the Property and make it available to Lessor at a place to be designated by Lessor;

(l) in its sole discretion, sell, re-lease or otherwise dispose of any or all of the Property securing such Schedule, whether or not in Lessor's possession, in a commercially reasonable manner at public or private sale with notice to Lessee (the parties agreeing that ten (10) days' prior written notice shall constitute adequate notice of such sale); and apply the net proceeds of any such disposition, after deducting all Property costs incurred by Lessor in connection with such default to the obligations of Lessee hereunder and under such Schedule, or proposed to retain any or all of the Property in full or partial satisfaction, as the case may be, with Lessee remaining liable for any deficiency. The sale, re-lease, or other disposition may, at Lessor's sole option, be conducted at Lessee's premises. Lessor may at its sole discretion recover from Lessee liquidated damages for the loss of a bargain and not as a penalty an amount equal to the Lessor's damages;

(m) if Lessee breaches any of its obligations under Section 7(d) of this Master Lease Agreement with regard to Software, Lessee shall be liable to Lessor for additional damages in an amount equal to the original price paid by Lessor for the Software, and in addition, at Lessor's option, Lessor shall be entitled to injunctive relief;

(n) exercise any other right or remedy which may be available to it under the Uniform Commercial Code or any other applicable law;

(o) a cancellation hereunder shall occur only upon notice by Lessor and only as to such items of Property as Lessor specifically elects to cancel and this Lease shall continue in full force and effect as to the remaining items, if any;

(p) (i) by notice to Lessee, declare any license agreement with respect to Software terminated, in which event the right and license of Lessee to use the Software shall immediately terminate, and Lessee shall thereupon cease all use of the Software and return all copies thereof to Lessor or original licensor; (ii) have access to and disable the Software by any means deemed necessary by Lessor, for which purposes Lessee hereby expressly consents to such access and disablement, promises to take no action that would prevent or interfere with Lessor's ability to perform such access and disablement, and waives and releases any and all claims that it has or might otherwise have for any and all losses, damages, expenses, or other detriment that it might suffer as a result of such access and disablement; and (iii) Lessee agrees that the detriment which Lessor will suffer as a result of a breach by Lessee of the obligations contained in the Lease cannot be adequately compensated by monetary damages, and therefore Lessor shall be entitled to injunctive and other equitable relief to enforce the provisions of this paragraph 16(p). LESSEE AGREES THAT LESSOR SHALL HAVE NO DUTY TO MITIGATE LESSOR'S DAMAGES UNDER ANY LEASE BY TAKING LEGAL ACTION TO RECOVER THE SOFTWARE FROM LESSEE OR ANY THIRD PARTY, OR TO DISPOSE OF THE SOFTWARE BY SALE, RE-LEASE OR OTHERWISE.

(q) With respect to any exercise by Lessor of its right to recover and/or dispose of any Property securing Lessee's obligations under any Schedule, Lessee acknowledges and agrees as follows: (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the Property for disposition; (ii) Lessor may comply with any applicable State or Federal law requirements in connection with any disposition of the Property, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition of such Property; (iii) Lessor may specifically disclaim any warranties of title or the like with respect to the disposition of the Property; (iv) if Lessor purchases any of the Property, Lessor may pay for the same by crediting some or all of Lessee's obligations hereunder or under any Schedule; and (v) no right or remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and shall be in addition to any other remedy referred to above or otherwise available at law or in equity, and may be exercised concurrently or separately from time to time.

Lessor may exercise any and all rights and remedies available at law or in equity, including those available under the Uniform Commercial Code. The rights and remedies afforded Lessor hereunder shall not be deemed to be exclusive, but shall be in addition to any rights or remedies provided by law. Lessor's failure promptly to enforce any right or remedy hereunder shall not operate as a waiver of such right or remedy, and Lessor's waiver of any default shall not constitute a waiver of any subsequent or other default. Lessor may accept late payments or partial payments of amounts due under the Lease and may delay enforcing any of Lessor's rights or remedies hereunder without losing or waiving any of Lessor's rights or remedies under the Lease.

17. LESSEE'S REPRESENTATIONS AND WARRANTIES:

Lessee represents and warrants as follows:

- (a) If Lessee is a corporation, that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation, that it is duly qualified to do business in each jurisdiction where any Property is, or is to be located, and has full corporate power and authority to hold property under lease and to enter into and perform its obligations under any Lease; that the execution, delivery and performance by Lessee of any Lease has been duly authorized by all necessary corporate action on the part of Lessee, and is not inconsistent with its articles of incorporation or by-laws or other governing instruments;
- (b) If Lessee is a partnership, that it is duly organized by written partnership agreement and validly existing in accordance with the laws of the jurisdiction of its organization, that it is duly qualified to do business in each jurisdiction where the Property is, or is to be located, and has full power and authority to hold property under lease and to enter into and perform its obligations under any Lease; that the execution, delivery and performance by Lessee of any Lease has been duly authorized by all necessary action on the part of the Lessee, and is not inconsistent with its partnership agreement or other governing instruments. Upon request, Lessee will deliver to Lessor certified copies of its partnership agreement and other governing instruments and original certificate of partners and other instruments deemed necessary or desirable by Lessor. To the extent required by applicable law, Lessee has filed and published its fictitious business name certificate;
- (c) The execution, delivery and performance by Lessee of any Lease does not violate any law or governmental rule, regulation, or order applicable to Lessee, does not and will not contravene any provision, or constitute a default under any indenture, mortgage, contract, or other instrument to which it is bound and, upon execution and delivery of each Lease, will constitute a legal, valid and binding agreement of Lessee, enforceable in accordance with its terms;
- (d) No action, including any permits or consents, in respect of or by any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by Lessee of any Lease;
- (e) (i) Lessee's state of organization is the state listed in the introductory paragraph of this Lease; (ii) Lessee's chief executive office is located in the state listed in the introductory paragraph of this Lease; (iii) Lessee is the legal entity or organization indicated in the introductory paragraph of this Lease, which organization is duly organized, validly existing and in good standing under the laws of the state listed in the introductory paragraph of this Lease; and (iv) Lessee's full and exact legal name is the same as listed in the introductory paragraph of this Lease.

18. LESSEE'S WAIVERS:

To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Sections 70A-2A-508 through 70A-2A-522 of the Utah Uniform Commercial Code, including but not limited to Lessee's rights to: (i) cancel the Lease; (ii) repudiate the Lease; (iii) reject the Property; (iv) revoke acceptance of the Property; (v) recover damages from Lessor for any breaches of warranty or for any other reason; (vi) claim, grant or permit a security interest in the Property in Lessee's possession or control for any reason; (vii) deduct all or any part of any claimed damages resulting from Lessor's default, if any, under the Lease; (viii) cover by making any purchase or lease of or contract to purchase or lease property in substitution for the Property due from Lessor; (ix) recover any general, special, incidental or consequential damages, for any reason whatsoever; and (x) commence legal action against Lessor for specific performance, replevin, detinue, sequestration, claim and delivery or the like for any Property identified in the Lease. To the extent permitted by applicable law, Lessee also hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Property in mitigation of Lessor's Damages as set forth in Section 16 hereof or which may otherwise limit or modify any of Lessor's rights or remedies in that section.

19. GENERAL:

- (a) Entire Agreement. Each Schedule shall incorporate the terms and conditions of this Master Lease Agreement and, together with the Acceptance Certificate and Master Progress Funding Agreement (and Authorizations thereunder), if applicable, and any amendments to any of the foregoing documents, shall supersede all prior communications, representations, agreements, and understandings, including but not limited to offer letters, proposal letters, comfort letters, commitment letters and the like, and constitute the entire understanding and agreement between the Lessor and Lessee with regard to the subject matter hereof and thereof, and there is no understanding or agreement, oral or written, which is not set forth herein or therein.

(b) Time Is of the Essence; Provisions Severable. Time is of the essence with respect to any Lease. The provisions contained in any agreement shall be deemed to be independent and severable. The invalidity or partial invalidity of any one provision or portion of the Lease under the laws of any jurisdiction shall not affect the validity or enforceability of any other provisions of the Lease. The captions and headings set forth herein are for convenience of reference only and shall not define or limit any of the terms hereof.

(c) Notices. Notices or demands required to be given herein shall be in writing and addressed to the other party at the address herein or such other address provided by written notice hereunder and shall be effective (i) upon the next business day if sent by guaranteed overnight express service (such as Federal Express); (ii) on the same day if personally delivered; or (iii) three days after mailing if sent by certified or registered U.S. mail, postage prepaid.

(d) Governing Law; Waiver of Trial by Jury. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. LESSEE AGREES TO SUBMIT TO THE JURISDICTION OF THE STATE AND/OR FEDERAL COURTS IN THE STATE OF UTAH IN ALL MATTERS RELATING TO THE LEASE, THE PROPERTY AND THE CONDUCT OF THE RELATIONSHIP BETWEEN LESSOR AND LESSEE. THIS LEASE WAS EXECUTED IN THE STATE OF UTAH (BY THE LESSOR HAVING COUNTERSIGNED IT IN UTAH) AND IS TO BE PERFORMED IN THE STATE OF UTAH (BY REASON OF ONE OR MORE PAYMENTS REQUIRED TO BE MADE TO LESSOR IN UTAH). LESSOR AND LESSEE HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THE LEASE OR PROPERTY OR THE CONDUCT OF THE RELATIONSHIP BETWEEN LESSOR AND LESSEE.

(e) Binding Effect; Survivability. The provisions of each Lease shall inure to the benefit of and shall bind Lessor and Lessee and their respective permitted successors and assigns. All representations, warranties, covenants and indemnities of Lessee made or agreed to in the Lease or in any certificates delivered in connection therewith shall survive the expiration, termination or cancellation of the Lease for any reason.

(f) Acceptance Certificate. If Lessee fails to sign and deliver an Acceptance Certificate, then except as otherwise provided in Section 6(a) hereof, the Acceptance Date shall be a date determined by Lessor which shall be no sooner than the date Lessee receives substantially all of the Property.

(g) Lessee's Options at End of Initial Period. At the end of the Initial Period of any Lease, Lessee shall, provided at least one-hundred-eighty (180) days prior written notice is received by Lessor from Lessee via certified mail, do one of the following: (1) purchase the Property for a price to be determined by Lessor and Lessee, (2) extend the Lease for twelve (12) additional months at the rate specified on the respective Schedule, or (3) return the Property to Lessor at Lessee's expense to a destination within the continental United States specified by Lessor and terminate the Schedule; provided, however, that for option (3) to apply, all accrued but unpaid late charges, interest, taxes, penalties, and any and all other sums due and owing under the Schedule must first be paid in full, the provisions of Sections 6(c) and (d) and 7(c) hereof must be specifically complied with, and Lessee must enter into a new Schedule with Lessor to lease Property which replaces the Property listed on the old Schedule. With respect to options (1) and (3), each party shall have the right in its absolute and sole discretion to accept or reject any terms of purchase or of any new Schedule, as applicable. In the event Lessor and Lessee have not agreed to either option (1) or (3) by the end of the Initial Period or if Lessee fails to give written notice of its option via certified mail at least one-hundred-eighty (180) days prior to the termination of the Initial Period, then option (2) shall apply at the end of the Initial Period. At the end of the extension period provided for in option (2) above, the Lease shall continue in effect at the rate specified in the respective Schedule for successive periods of six (6) months each subject to termination at the end of any such successive six-month renewal period by either Lessor or Lessee giving to the other party at least ninety (90) days prior written notice of termination.

(h) Financial Statements. Lessee, and any guarantor, shall provide to Lessor a copy of its annual audited financial statements within ninety (90) days after its fiscal year end, and a copy of its quarterly unaudited financial statements within forty-five (45) days after the end of each fiscal quarter.

(i) Security Interest. The parties acknowledge and agree that this is a "true lease" and title to the leased equipment is vested in the Lessor. In the event a court of competent jurisdiction or other governing authority shall determine that the Lease is not a "true lease" or is a lease intended as security or that Lessor (or its assigns) does not hold legal title to or is not the owner of the Property, the following shall apply.

(1) Effective the execution date of the Lease, Lessee, as debtor, grants a security interest to Lessor, as secured party, in the Property, including the equipment and other personal property, general intangibles, and accessions to and proceeds of any of the foregoing, to secure all duties and obligations of Lessee under any Lease or other agreement with Lessor. The Lease shall be deemed to be a security agreement with Lessee having granted to Lessor a security interest in the Property, and the Property shall secure all duties and obligations of Lessee under any Lease or other agreement with Lessor. With regard to any security interest created hereunder in any of the Property, Lessee consents and agrees that Lessor shall have all of the rights, privileges and remedies of a secured party under the Utah Uniform Commercial Code.

(2) Lessee authorizes Lessor to file financing statements and any records describing the Property and to take any and all actions necessary to perfect Lessor's interest in the Property. Lessee agrees to execute any further documents, and to take any further actions, reasonably requested by Lessor to evidence or perfect the security interest granted under this subpart of the Lease, to maintain the first priority of the security interests, or to effectuate the rights granted to Lessor under this subpart of the Lease.

(j) Change in Lessee's Name, Address and Jurisdiction. Lessee shall not change its name, chief executive office address, or jurisdiction of organization from that set forth above, unless it shall have given Lessor or its assigns no less than thirty (30) days prior written notice.

(k) Covenant of Quiet Possession. Lessor agrees that so long as no Event of Default has occurred and is continuing, Lessee shall be entitled to quietly possess the Property subject to and in accordance with the terms and conditions of this Master Lease Agreement.

(l) Lessor's Right to Perform for Lessee. If Lessee fails to perform or comply with any of its agreements contained herein, Lessor may perform or comply with such agreements and the amount of any payments and expenses of Lessor incurred in connection with such performance or compliance (including attorney fees), together with interest thereon at the lesser of the rate of eighteen percent (18%) per annum, or the highest rate permitted by law shall be deemed additional rent payable by Lessee upon demand.

(m) Further Assurances; Financing Statements. Lessee will cooperate with Lessor in protecting Lessor's interests in the Property, the Lease and the amounts due under the Lease, including, without limitation, the execution (or other authentication), and delivery of Uniform Commercial Code statements, records and filings, patent and copyright registration documents with respect to proprietary Software (if applicable), and other documents requested by Lessor. Lessee will promptly execute, or otherwise authenticate, and deliver to Lessor such further documents, instruments, assurances and other records, and take such further action as Lessor may reasonably request in order to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor under this Lease. Lessee hereby authorizes Lessor to file UCC-1 financing statements, fixture filings, real property waivers, and all other filings and recordings, as may be deemed necessary by Lessor. Lessee hereby authorizes and/or ratifies the filing of any UCC-1 financing statements by Lessor before or after the execution of this Lease. Lessee shall pay all costs of filing any financing, continuation or termination statements with respect to the Property and Lease, including without limitation, any intangibles tax, documentary stamp tax or other similar taxes or charges relating thereto and all costs of UCC or other lien searches and of obtaining and filing any full or partial third-party releases deemed necessary or advisable by Lessor. Lessee will do whatever may be necessary or advisable to have a statement of the interest of Lessor in the Property noted on any certificate of title relating to the Property and will deposit said certificate with Lessor. Lessee will execute, or otherwise authenticate, and deliver to Lessor such other documents, records and written assurances and take such further action as Lessor may request to more fully carry out the implementation, effectuation, confirmation and perfection of the Lease and any rights of Lessor thereunder. Lessee grants to Lessor a security interest in all deposits and other property transferred or pledged to Lessor to secure the payment and performance of all of Lessee's obligations under the Lease. Lessor is authorized to take any measures necessary to protect its interest in the Property.

In the event the Property is in the possession of a third party, Lessee will join with Lessor in notifying the third party of Lessor's interest in the Property and obtaining an acknowledgment from the third party that the third party is holding the Property for the benefit of Lessor.

(n) Attorney Fees. Lessee shall reimburse Lessor for all charges, costs, expenses and attorney fees incurred by Lessor: (i) in preparation of Lease documentation; (ii) in defending or protecting its interest in the Property; (iii) in the execution, delivery, administration, amendment and enforcement of the Lease or the collection of any rent or other payments due under the Lease, or the preparation of any amendments or settlement agreements prepared in connection with the Lease;

and (iv) in any lawsuit or other legal or arbitration/mediation proceeding to which the Lease gives rise, including without limitation, actions in tort.

(o) Amendment and Modification. The Lease may not be amended or modified except by a written amendment signed by a duly authorized representative of each party, but no such amendment or modification needs further consideration to be binding. Notwithstanding the foregoing, Lessee authorizes Lessor to amend any Schedule to identify more accurately the Property (including, without limitation, supplying serial numbers or other identifying data), and such amendment shall be binding on Lessor and Lessee unless Lessee objects thereto in writing within ten 10 days after receiving notice of the amendment from Lessor.

(n) Joint and Several Liability. In the event two or more parties execute this Master Lease Agreement as Lessee, each party shall be jointly and severally liable for all Lessee representations, warranties, and obligations (including without limitation, payment obligations) under this Master Lease Agreement or under any Schedule or other document executed in connection herewith.

(q) Unauthorized Distribution of Lease Documents Prohibited. Lessee agrees that it will not, through any of its actions or omissions, cause any document, or any portion of any document, associated with any Lease to be delivered, disseminated, or otherwise fall into the possession of anyone not employed by Lessee on a full time basis, without the written consent of Lessor. Lessee further acknowledges that any such unauthorized delivery or dissemination could cause Lessor to suffer irreparable economic harm.

(r) Counterparts; Chattel Paper. This Lease may be executed in any number of counterparts and by different parties hereto or thereto on separate counterparts, each of which, when so executed or otherwise authenticated and delivered, shall be an original, but all such counterparts shall together consist of but one and the same instrument; provided, however, that to the extent that this Lease and/or the Schedule(s) would constitute chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest herein or therein may be created or perfected through the transfer or possession of this Lease in and of itself without the transfer or possession or control, as applicable, of the original counterpart of such Schedule(s) identified as the document or record (as applicable) marked "Original", and all other counterparts shall be marked "Duplicate Original" or "Counterpart".

20. ASSIGNMENT BY LESSEE:

LESSEE MAY NOT ASSIGN ANY LEASE OR ANY OF ITS RIGHTS HEREUNDER OR SUBLEASE THE PROPERTY WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. NO PERMITTED ASSIGNMENT OR SUBLEASE SHALL RELIEVE LESSEE OF ANY OF ITS OBLIGATIONS HEREUNDER.

Subject to the terms of this Lease, this Lease and each Schedule inure to the benefit of, and are binding upon, the successors and assigns of Lessee, and, without limiting the foregoing, shall bind all persons who become bound as a "new debtor" (as defined in the Uniform Commercial Code) to this Lease and any Schedule.

21. POWER OF ATTORNEY.

LESSEE HEREBY AUTHORIZES AND APPOINTS LESSOR AND LESSOR'S AGENTS AND ASSIGNS AS LESSEE'S ATTORNEY-IN-FACT TO EXECUTE ACKNOWLEDGEMENT LETTERS AND OTHER DOCUMENTS REQUIRED TO BE EXECUTED BY LESSEE TO EFFECT ANY UNDERWRITING OR PERFECT ANY SECURITY INTEREST WITH REGARD TO A SCHEDULE.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Master Lease Agreement on the month, day and year first above written.

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thompson, Jr.

TITLE: Ev & C 120

EXHIBIT "A"

to Master Lease Agreement No. AFI0367 dated October 2, 2003

DEFINITIONS

Those capitalized terms not defined herein are defined in the Schedule.

"Property"	Equipment and other property, together with all related software whether embedded therein or otherwise and with all attachments, replacements, parts, substitutions, additions, repairs, accessions and accessories, incorporated therein and/or affixed thereto described in any Schedule executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement.
"Schedule"	Any Lease Schedule to be executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement, which Schedule describes the leased Property, rental payment, cost of property, lease rate factor, and other data applicable to the Schedule.
"Acceptance Certificate"	Any Acceptance Certificate signed by the Lessee in connection with a Schedule and this Master Lease Agreement.
"Master Progress Funding Agreement"	An agreement under which (i) Lessee accepts items of Property by signing an Authorization, (ii) Lessor agrees to purchase said items of Property, and (iii) Lessee agrees to pay service charges, all prior to the Acceptance Date of the Schedule.
"Lease"	A Schedule, incorporating the terms of this Master Lease Agreement, together with the related Master Progress Funding Agreement, if any, Casualty Loss Schedule, Acceptance Certificate, UCC financing statements and all other supporting documentation related thereto.
"Acceptance Date"	Except as otherwise provided in Section 6(a) of the Master Lease Agreement, Acceptance Date means, as to the Property designated on any Schedule, the date Lessee accepts the Property as set forth in any Acceptance Certificate signed by the Lessee which is acceptable to Lessor.
"Commencement Date"	As to the Property designated on any Schedule, where the Acceptance Date for such Schedule falls on the first day of a calendar quarter, that date, and, in any other case, the first day of the calendar quarter following the calendar quarter in which such Acceptance Date falls.
"Software"	Software means any computer program, whether or not embedded in goods, and any supporting information provided in connection with this Master Lease Agreement and/or any Schedule relating to the program, including all documentation, later versions, updates, upgrades and modifications.
"License"	License entered into with the owner/vendor/licensor of the Software.
"Recertification"	The process of obtaining maintenance certificates or qualification letters which are necessary for the manufacturer to accept the Property under contract maintenance at its then standard rates.

"Lessor's Assignee"

An entity to which Lessor has assigned or transferred its rights and interests in the Lease or Property, either partially, outright or as security for any loan to Lessor.

"Underwriting"

Lessor's assignment or transfer of its rights and interests in the Lease and Property to Lessor's Assignee.

"Casualty Loss Schedule"

Schedule of Casualty Loss Values relating to a specific Schedule under this Master Lease Agreement.

"Lessor's Damages"

Casualty Loss Value together with costs, expenses, attorney's fees, interest, and any determinable indemnity owed by Lessee to Lessor.

EXHIBIT B
CASUALTY LOSS SCHEDULE
DATED JANUARY 6, 2004

ORIGINAL

TO
LEASE SCHEDULE NO. 001
DATED OCTOBER 2, 2003, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367

Upon execution below by the Lessee and Lessor, this Casualty Loss Schedule shall replace and supercede the original Casualty Loss Schedule previously executed, which shall from and after the date hereof become null and void.

In the event of default under the Lease, Lessor may, in addition to all other remedies available to it under the Lease, recover the dollar amount listed under the Total Casualty Value as of the Monthly Rental payment date immediately preceding the date of the default, or in the event of a default under the Master Progress Funding Agreement, Lessee may recover the dollar amount listed under the Total Casualty Loss Value corresponding to payment number "0".

AFTER PAYMENT NUMBER	TOTAL CASUALTY LOSS VALUE	CASUALTY LOSS PERCENTAGE	AFTER PAYMENT NUMBER	TOTAL CASUALTY LOSS VALUE	CASUALTY LOSS PERCENTAGE
0	\$1,778,803	130.00%	31	\$1,217,552	88.98%
1	\$1,772,282	129.52%	32	\$1,194,848	87.32%
2	\$1,753,234	128.13%	33	\$1,172,115	85.66%
3	\$1,734,131	126.74%	34	\$1,149,354	84.00%
4	\$1,714,972	125.33%	35	\$1,126,563	82.33%
5	\$1,695,756	123.93%	36	\$1,103,744	80.66%
6	\$1,700,649	124.29%	37	\$1,080,896	78.99%
7	\$1,680,683	122.83%	38	\$1,058,019	77.32%
8	\$1,660,666	121.37%	39	\$1,042,088	76.16%
9	\$1,640,599	119.90%	40	\$1,018,727	74.45%
10	\$1,620,482	118.43%	41	\$995,347	72.74%
11	\$1,600,314	116.96%	42	\$971,947	71.03%
12	\$1,580,095	115.48%	43	\$948,527	69.32%
13	\$1,559,826	114.00%	44	\$930,059	67.97%
14	\$1,559,066	113.94%	45	\$906,216	66.23%
15	\$1,538,094	112.41%	46	\$882,362	64.49%
16	\$1,517,077	110.87%	47	\$858,498	62.74%
17	\$1,496,017	109.33%	48	\$834,624	61.00%
18	\$1,474,913	107.79%	49	\$813,907	59.48%
19	\$1,453,764	106.25%	50	\$789,674	57.71%
20	\$1,432,570	104.70%	51	\$765,441	55.94%
21	\$1,427,064	104.29%	52	\$741,207	54.17%
22	\$1,405,220	102.70%	53	\$718,855	52.54%
23	\$1,383,339	101.10%	54	\$694,322	50.74%
24	\$1,361,421	99.50%	55	\$669,797	48.95%
25	\$1,339,467	97.89%	56	\$645,283	47.16%
26	\$1,317,475	96.28%	57	\$620,064	45.32%
27	\$1,295,447	94.67%	58	\$595,817	43.54%
28	\$1,273,381	93.06%	59	\$571,571	41.77%
29	\$1,262,874	92.29%	60	\$547,324	40.00%
30	\$1,240,227	90.64%	and thereafter		

LESSOR:

LESSEE:

APPLIED FINANCIAL, LLC

MERCHANTS AND FARMERS BANK

BY: Sherrice Copier
TITLE: Vice President

BY: Robert C. Thompson, III
TITLE: EVF & CFO

ORIGINAL

LEASE SCHEDULE NO. 001
TO
MASTER LEASE AGREEMENT NO. AFI0367

This Schedule No. 001 dated October 2, 2003 (the "Schedule") between **APPLIED FINANCIAL, LLC** (the "Lessor") and **MERCHANTS AND FARMERS BANK** (the "Lessee") incorporates by reference the terms and conditions of Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), Exhibit A (the "Property Description") and Exhibit B (the "Casualty Loss Schedule"), and constitutes a separate "Lease" between Lessor and Lessee. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Master Lease.

1. **Property:** Core Processing System: UNISYS CS7200, EMC Clarion Storage Area Network with software, installation and pre-paid maintenance to be more fully described on an Exhibit A, together with all other Property hereafter purchased or paid for by Lessor pursuant to that Master Progress Funding Agreement dated October 2, 2003, between Lessor and Lessee, which relates to the Schedule between Lessor and Lessee, (including without limitation, all authorizations signed in connection with said Master Progress Funding Agreement which relate to the Schedule), and any and all additions, enhancements and replacements thereto. Software shall not exceed 53% of the Total Cost and Soft Costs shall not exceed 32% of the Total Cost. Lessee's breach of this provision shall constitute an Event of Default under this Schedule.

The Property subject to this Schedule shall be more fully and completely described in an Acceptance Certificate which shall later be executed by Lessee in connection with this Schedule. Upon Lessee's execution thereof, this Schedule shall be automatically amended to include herein as property leased hereunder all Property described in said Acceptance Certificate.

2. **Property Location:** 134 W. Washington Street, Kosciusko, MS 39090. Upon Lessee's later execution of an Acceptance Certificate in connection with this Schedule, this Schedule shall be automatically amended to include the additional locations, if any, specified in said Acceptance Certificate.
3. **Acceptance Date:** As specified in the Acceptance Certificate
4. **Initial Period:** Sixty (60) months starting on the Commencement Date
5. **Monthly Rental:** \$25,246.59, plus applicable sales tax
6. **Deposit:** \$25,246.59 applied to the last Monthly Rental, plus applicable sales tax
7. **Total Cost Not To Exceed:** \$1,424,751.00
8. **Lease Rate Factor:** .01772
9. **Floating Lease Rate Factor:** The Lease Rate Factor of .01772 shall increase .000069966 for every five (05) basis point increase in sixty (60) month U.S. Treasury Notes as of the Acceptance Date of the Property (the "Revised Lease Rate Factor"), at which time the Monthly Rental under this Schedule shall be adjusted by multiplying the Total Cost, indicated in Section 7, by the Revised Lease Rate Factor. The sixty (60) month U.S. Treasury Note yield used as the basis for the derivation of the Revised Lease Rate Factor herein is 3.10%.

10. Representation of Lessee: Lessor and Lessee agree that this Schedule constitutes a "finance lease" under the Uniform Commercial Code – Article 2A, in that (a) Lessee has selected the Property in its sole discretion, (b) Lessor has acquired the Property solely for purposes of leasing such Property under this Schedule, and (c) Lessee has received a copy of the contract evidencing Lessor's purchase of the Property.

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thayer, III

TITLE: EVF & C.FO

ORIGINAL

ORIGINAL

AMENDMENT NO. 1
TO
LEASE SCHEDULE NO. 001
TO
MASTER LEASE AGREEMENT NO. AFI0367

Reference is made to Lease Schedule No. 001 dated October 2, 2003, (the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule shall be amended effective the date hereof by adding Section 11 as follows:

Section 11. Pre-paid Maintenance: Lessee acknowledges that (i) Lessor is not the maintenance provider for the maintenance which has been pre-paid under this Schedule, (ii) the maintenance provider has been selected solely by Lessee, and (iii) neither Lessor nor its assigns are liable for the performance or satisfaction of the maintenance to be performed. Should the performance of said maintenance be unsatisfactory for any reason, Lessee agrees to make any claim on account thereof solely against the maintenance provider, and notwithstanding such unsatisfactory maintenance performance, Lessee agrees to pay all sums payable under the Lease, and waives the right to make any such claims against Lessor or its assigns. Lessee acknowledges and agrees that payment under the Lease is absolute, unconditional and is not subject to Lessor or its assigns performing or arranging for the performance of said maintenance. Lessee acknowledges that it has arranged for the amount and time of said maintenance service in its sole discretion, and that the cost of said service is being financed by the Lessor. Lessee further acknowledges that the Lessor and its assigns will not be a party to any dispute in regards to any maintenance issues whatsoever.

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: November 21, 2003

LESSOR:

LESSEE:

APPLIED FINANCIAL, LLC

MERCHANTS AND FARMERS BANK

BY: Sherrice Cooper

BY: Robert C. Thompson, II

TITLE: Vice President

TITLE: FVP & CFO

ORIGINAL

AMENDMENT NO. 2
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule as originally signed was based upon a Total Cost Not to Exceed \$1,424,751.00. The revised Total Cost as of the date hereof for the items of Property listed on the attached Exhibit A is \$1,368,310.36. Based upon the decreased Property cost, and a more specific description and location of the Property, the Schedule is hereby amended effective the date hereof by deleting Sections 1, 2, 5, 6 and 7 of the Schedule and replacing them with the following:

Section 1. Property: Core Processing System: UNISYS CS7200, EMC Clariion Storage Area Network with software, installation and pre-paid maintenance as more fully described on the attached Exhibit A of two (2) pages, which by this reference is made a part hereof.

Section 2. Property Location: 134 W. Washington Street, Kosciusko, MS 39090

Section 5. Monthly Rental: \$24,246.46, plus applicable sales tax

Section 6. Deposit: \$24,246.46 applied to the last Monthly Rental, plus applicable sales tax

Section 7. Total Cost: \$1,368,310.36

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: January 6, 2004

LESSOR:

APPLIED FINANCIAL, LLC

BY:

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY:

TITLE:

EXHIBIT A

Merchants and Farmers Bank

ML No.: AF10367

Lease Schedule No.: 001

Location: 134 W. Washington Street, Kosciusko, MS 39090

\$1,368,310.36

\$1,368,310.36

\$1,368,310.36

\$1,368,310.36

VENDOR	INVOICE NO.	QTY	DESCRIPTION	SERIAL #	PER UNIT	UNIT TOTAL	INVOICE TOTAL
Information Technology Inc.	196291	1	Cable 12ft extension		\$45.54	\$45.54	
Information Technology Inc.	196291	1	Dis w/2 sub-dib		\$0.00	\$2,667.63	
Information Technology Inc.	196291	1	SCSI wide narrow 2		\$0.00	\$80.68	
Information Technology Inc.	196291	1	80 ft scsi-3 cable		\$0.00	\$299.95	
Information Technology Inc.	196291	1	VHD68 to DH 68		\$0.00	\$68.32	
Information Technology Inc.	196291	2	Dual channel diff		\$0.00	\$1,431.41	
Information Technology Inc.	196291	2	External Ethernet		\$0.00	\$389.08	
Information Technology Inc.	196291	1	36U, 41 hrt clr cabinet		\$0.00	\$715.70	
Information Technology Inc.	196291	2	Gigabit Eth Cpr		\$0.00	\$325.32	
Information Technology Inc.	196291	1	Power line cord		\$0.00	\$0.65	
Information Technology Inc.	196291	1	1U keyboard shelf		\$0.00	\$910.90	
Information Technology Inc.	196291	1	1U lcd monitor		\$0.00	\$1,756.73	
Information Technology Inc.	196291	2	C20/NEMA L6-20P		\$0.00	\$117.12	
Information Technology Inc.	196291	2	Plug Power Strip		\$0.00	\$221.22	
Information Technology Inc.	196291	1	Clrpath, 19 36U app kit		\$0.00	\$992.23	
Information Technology Inc.	196291	1	1 Dom, 1-2 vnm/mcp no w2k		\$0.00	\$65,064.05	
Information Technology Inc.	196291	6	DSM IEC320 power Cord		\$0.00	\$50.75	
Information Technology Inc.	196291	1	Rack mount keyboard		\$0.00	\$227.72	
Information Technology Inc.	196291	2	EMC disk single 16pt 2gb		\$0.00	\$28,098.12	
Information Technology Inc.	196291	8	Cable FC10M shortwave		\$0.00	\$2,132.66	
Information Technology Inc.	196291	8	Cable FC 5M shortwave		\$0.00	\$1,845.68	
Information Technology Inc.	196291	2	Cable FC 2M shortwave		\$0.00	\$474.08	
Information Technology Inc.	196291	10	P64 cpl fibre channel 2 66		\$0.00	\$14,771.09	
Information Technology Inc.	196291	45	2GF emc disk 36gb 10k drive		\$0.00	\$36,083.65	
Information Technology Inc.	196291	1	Cus emcdisk clarion service		\$0.00	\$0.00	
Information Technology Inc.	196291	2	DAE emc disk dce 0 with rail		\$0.00	\$11,254.16	
Information Technology Inc.	196291	1	DPE emcdisk filed install cx		\$0.00	\$39,037.87	
Information Technology Inc.	196291	4	P64 cpl fibre glas LP8000 ES		\$0.00	\$6,471.14	
Information Technology Inc.	196291	1	ENW EMC SW ppath ent windows		\$0.00	\$9,900.00	
Information Technology Inc.	196291	1	T5 emc sw navisphere analyzer		\$0.00	\$9,900.00	
Information Technology Inc.	196291	1	T5 emc sw navisphere mgr nt		\$0.00	\$11,800.00	
Information Technology Inc.	196291	1	T5 emc sw cx400 access logic		\$0.00	\$20,000.00	
Information Technology Inc.	196291	1	CLV perf/sw unisys call home		\$0.00	\$20.00	
Information Technology Inc.	196291	6	DEW emc sw path ent windows		\$0.00	\$21,000.00	
Information Technology Inc.	196291	1	T5 emc sw snapview rler 5		\$0.00	\$16,300.00	
Information Technology Inc.	196291	1	T5 emc sw san copy rler 5		\$0.00	\$22,700.00	
Information Technology Inc.	196291	7	Win emc sw navisphere agent		\$0.00	\$4,260.00	
Information Technology Inc.	196291	1	Wkt emc sw powerpath windows		\$0.00	\$0.00	
Information Technology Inc.	196291	1	LY O/S adv svr media/coa		\$0.00	\$2,700.05	
Information Technology Inc.	196291	1	CH call home service cs mcp		\$0.00	\$0.00	
Information Technology Inc.	196291	1	End IOE encryption opt US		\$0.00	\$0.00	
Information Technology Inc.	196291	1	CPI IOE compson package		\$0.00	\$0.00	
Information Technology Inc.	196291	1	ITO ssu sem cs7201-160K ucl		\$0.00	\$54,014.43	
Information Technology Inc.	196291	1	ITO cs7201 160K acts		\$0.00	\$21,605.71	
Information Technology Inc.	196291	1	Image enabler pl 7		\$0.00	\$302,396.81	
Information Technology Inc.	196291	2	Cable FC 50M shortwave		\$0.00	\$620.39	
Information Technology Inc.	196291	4	Cable FC 10M shortwave		\$0.00	\$1,055.08	
Information Technology Inc.	196291	2	EMC disk single 16pt 2gb		\$0.00	\$640.08	\$970,398.00
Unisys Corporation	70048138	1	Initial Billing of San Implementation		\$21,816.60	\$21,816.60	
Unisys Corporation	70048138	1	Initial Billing of CS7200 Implementation		\$15,600.00	\$15,600.00	\$37,416.60
Unisys Corporation	70050471	1	Completion Billing of San Implementation		\$14,544.40	\$14,544.40	
Unisys Corporation	70050471	1	Completion Billing of Cs7200 Implementation		\$10,400.00	\$10,400.00	
Unisys Corporation	70050471	1	Travel Expense Recovery, Ken Abel		\$1,052.60	\$1,052.60	
Unisys Corporation	70050471	1	Travel Expense Recovery, Chris Bell		\$882.56	\$882.56	\$26,879.56
Unisys Corporation	80126712	1	1 Dom, 1-2 vnm/mcp no w2k	511460636	\$1,096.20	\$1,096.20	
Unisys Corporation	80126712	1	Clrpath, 19 36U app kit		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Gigabit Eth Cpr		\$0.00	\$0.00	
Unisys Corporation	80126712	1	36U, 41 hrt clr cabinet		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Rack mount keyboard		\$0.00	\$0.00	
Unisys Corporation	80126712	1	1U keyboard shelf		\$0.00	\$0.00	
Unisys Corporation	80126712	1	1U lcd monitor		\$0.00	\$0.00	
Unisys Corporation	80126712	2	ENA4034-100, External Ethernet		\$64.20	\$128.40	
Unisys Corporation	80126712	1	DIB w/2 sub-dib		\$50.40	\$50.40	

EXHIBIT A

Merchants and Farmers Bank

ML No.: A.F10367

Lease Schedule No.: 001

Location: 134 W. Washington Street, Kosciusko, MS 39090

\$1,368,310.36 \$1,368,310.36

\$1,368,310.36 \$1,368,310.36

VENDOR	INVOICE NO.	QTY	DESCRIPTION	SERIAL #	PER UNIT	UNIT TOTAL	INVOICE TOTAL
Unisys Corporation	80126712	1	10/100mbps, 1 ch		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Fibre channel 2 66mhz		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Pod assy w/4 900mhz 2mb		\$856.80	\$856.80	
Unisys Corporation	80126712	4	Fibre gls 1p8000 es7k		\$0.00	\$0.00	
Unisys Corporation	80126712	8	Fibre channel 2 66mhz		\$0.00	\$0.00	
Unisys Corporation	80126712	1	DS-16b2 lo-pro universal		\$0.00	\$0.00	
Unisys Corporation	80126712	1	DS-16b2 lo-pro universal		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Single 16 port 2gb		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Single 16 port 2gb		\$0.00	\$0.00	
Unisys Corporation	80126712	45	36gb, 10k drive		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Field install ex400		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Dac 0 with rail kit		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Clarion Service Mode		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Dual channel diff		\$264.60	\$529.20	
Unisys Corporation	80126712	1	IOE es7201 160k acts		\$68,100.00	\$68,100.00	
Unisys Corporation	80126712	1	Image enabler pl 7		\$80,580.00	\$80,580.00	
Unisys Corporation	80126712	1	Adv svr media/coa		\$5,580.00	\$5,580.00	
Unisys Corporation	80126712	1	Navisphere analyzer		\$7,440.00	\$7,440.00	
Unisys Corporation	80126712	1	Navisphere mgr nt/w2k		\$8,880.00	\$8,880.00	
Unisys Corporation	80126712	1	ex400 access logix		\$7,500.00	\$7,500.00	
Unisys Corporation	80126712	6	Ppath ent windows dep		\$2,640.00	\$15,840.00	
Unisys Corporation	80126712	1	Snapview tier 5		\$12,360.00	\$12,360.00	
Unisys Corporation	80126712	7	Navisphere agent nt		\$540.00	\$3,780.00	
Unisys Corporation	80126712	1	Ppath ent windows ent		\$7,440.00	\$7,440.00	
Unisys Corporation	80126712	1	San copy tier 5		\$17,040.00	\$17,040.00	
Unisys Corporation	80126712	1	1 Dom, 1-2 vm/msp no w2k	511460636	\$33,616.80	\$33,616.80	
Unisys Corporation	80126712	2	ENA4034-100, External Ethernet		\$352.80	\$705.60	
Unisys Corporation	80126712	1	DIB w/2 sub-dib		\$1,411.20	\$1,411.20	
Unisys Corporation	80126712	1	Pod assy w/4 900mhz 2mb		\$26,056.80	\$26,056.80	
Unisys Corporation	80126712	2	Single 16 port 2gb		\$2,872.80	\$5,745.60	
Unisys Corporation	80126712	2	Dual channel diff		\$680.40	\$1,360.80	
Unisys Corporation	80126712	1	Field install ex400		\$11,667.60	\$11,667.60	
Unisys Corporation	80126712	2	Dac 0 with rail kit		\$1,688.40	\$3,376.80	
Unisys Corporation	80126712	45	36gb, 10k drive		\$277.20	\$12,474.00	\$333,616.20

**AMENDMENT NO. 3
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367**

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 and Amendment No. 2 dated January 6, 2004 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule is hereby amended effective the date hereof by deleting Sections 5, 6 and 8 of the Schedule and replacing them with the following:

Section 5. Monthly Rental: \$24,514.65, plus applicable sales tax.

Section 6. Deposit: \$24,514.65 applied to the last Monthly Rental, plus applicable sales tax

Section 8. Lease Rate Factor: .017916

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: January 9, 2004

LESSOR:

LESSEE:

APPLIED FINANCIAL, LLC

MERCHANTS AND FARMERS BANK

BY: _____

BY: _____

TITLE: Vice President

TITLE: _____

MASTER PROGRESS FUNDING AGREEMENT

Reference is made to Master Lease Agreement No. AFI0367 dated October 2, 2003, ("Master Lease") between **MERCHANTS AND FARMERS BANK** ("Lessee") and **APPLIED FINANCIAL, LLC** ("Lessor"). Lessee and Lessor have agreed to enter into one or more Lease Schedules to the Master Lease (each Lease Schedule together with the Master Lease is referred to herein collectively as the "Lease" and is incorporated herein and made a part of this Agreement by this reference) pursuant to which Lessor will lease to Lessee certain items of Property listed on said Lease (the "Property"). All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Lease.

With regard to each Lease executed and delivered by Lessee, Lessee may request Lessor to purchase and pay for certain items of Property to be leased thereunder prior to the commencement of such Lease. Provided Lessee completes, executes and delivers to Lessor a Partial Acceptance and Authorization for Progress Payment Certificate ("Authorization") in form acceptable to Lessor, and such Authorization is consistent with all terms and conditions of this Agreement and the Lease, and Lessee is not in default of this Agreement or the Lease, Lessor agrees to make payments against the purchase price for such items of Property as directed by the Authorization. All such payments made by Lessor shall be referred to herein as "Progress Payment(s)".

Upon Lessor's payment of any Progress Payment hereunder, title to the items of Property paid by such Progress Payment shall vest in Lessor, and Lessee hereby sells and assigns its purchase orders and contracts and all of its right, title and interest to such items of Property to Lessor. From the date risk of loss passes from each vendor as to items of Property paid for by Lessor hereunder, Lessee shall bear all risk of loss, and Lessee shall assume and be responsible for all of Lessee's obligations with respect to such items of Property as specified in the Lease.

Lessee agrees that in consideration of each Progress Payment made by Lessor pursuant to this Agreement, Lessee shall pay to Lessor a daily pro-rata interim "service charge" calculated by multiplying the "Lease Rate Factor" specified in the applicable Lease times the amount of such Progress Payment divided by 30. The daily service charges shall accumulate and be payable monthly in arrears on the last day of each such month. The daily service charges shall begin on the date Lessee authorizes Lessor to disburse the Progress Payment and shall continue until all items of Property specified in the Lease are installed, tested and are finally accepted by Lessee as evidenced by Lessee's execution and delivery of the final "Acceptance Certificate" required under the Lease. If any service charge due under this Agreement shall be unpaid after its due date, Lessor shall be entitled to collect late charges from Lessee pursuant to Paragraph 2 of Section 4 of the Master Lease.

Lessee agrees that (a) if it breaches any of its obligations under this Agreement, the Authorization(s), or the Lease, or (b) if any Lease for which Progress Payments have been made is not fully executed and delivered and the Property is not accepted under such Lease within three (3) months after the first Progress Payment is made for items of Property covered by such Lease, or (c) if there is a material adverse change in the creditworthiness or financial condition of Lessee as determined by Lessor in its sole discretion, or (d) if there is a material adverse change in market conditions which effects Lessor's ability to secure nonrecourse underwriting for the Lease, then Lessor may do one or more of the following (i) cease disbursing Progress Payments, (ii) collect all service charges due under this Agreement and all amounts due under the Lease, (iii) without requiring Lessee to execute an Acceptance Certificate, begin the Lease for those items of Property paid under any Progress Payment, (iv) require Lessee to reimburse Lessor for all Progress Payments made, together with all unpaid daily service charges, and (v) exercise any rights or remedies under the Lease and at law or in equity. The occurrence of any of the events specified in (a) through (d) above shall constitute an Event of Default under the Lease. Lessee shall reimburse Lessor for all of its collection and enforcement costs (including attorneys' fees). In the case of (iii) above, Lessee hereby grants Lessor Power of Attorney to execute said Acceptance Certificate on Lessee's behalf for which the "Acceptance Date", as more fully defined in the Exhibit A to the Master Lease shall be the date the last Progress Payment was made by Lessor. In the case of (iv) above, upon receipt of all amounts, charges, and reimbursements required, Lessor will convey its rights and interests in such Property to Lessee and reassign to Lessee all purchase orders and contracts for such Property.

Dated: October 2, 2003

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Johnson, III

TITLE: EVP & CFO

**ACCEPTANCE CERTIFICATE
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367**

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 and Amendment No. 2 dated January 6, 2004 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), between **APPLIED FINANCIAL, LLC** (the "Lessor"), and **MERCHANTS AND FARMERS BANK** (the "Lessee").

1. Condition of the Property:

The Lessee certifies that all items of Property described in Paragraph 4 have been delivered to the location indicated in Paragraph 2, have been examined, tested, and determined by Lessee to be ready for use, and are hereby accepted as items of Property for all purposes under the Lease, all on the date indicated in Paragraph 3.

2. Location of Property: 134 W. Washington Street, Kosciusko, MS 39090

3. Acceptance Date: 01/07/2004

4. Description of Property: Core Processing System: UNISYS CS7200, EMC Clarion Storage Area Network with software, installation and pre-paid maintenance as more fully described on the attached Exhibit A of two (2) pages, which by this reference is made a part hereof.

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thompson

TITLE: EVF & CFO

CERTIFICATE OF INCUMBENCY

The undersigned, does hereby certify to **APPLIED FINANCIAL, LLC**, that he/she is the Secretary of **MERCHANTS AND FARMERS BANK**, a corporation duly organized, existing in good standing under the laws of the state of its incorporation, and qualified to do business in all states where it is now conducting business (hereinafter "Corporation"), and further certifies as follows:

1. That the individual(s) whose name(s) appear below are either (i) duly elected officers of the Corporation, elected, qualified and acting in the offices set forth beside their names, or (ii) individual(s) serving in the capacity set forth beside their names.

2. That pursuant to the Corporation's By-Laws and/or Resolutions, as amended, the following persons have been properly designated and appointed to the offices indicated and that said person continue to hold such offices at this time.

NAME	OFFICE	SPECIMEN SIGNATURE
<u>Scott M. Wiggers</u>	<u>President</u>	<u>Scott M. Wiggers</u>
<u>Robert K. Aubrey</u>	<u>Executive Vice President</u>	<u>Robert K. Aubrey</u>
<u>Michae Taylor</u>	<u>V.P. - Information Systems</u>	<u>Michae Taylor</u>
<u>Robert C. Thompson, III</u>	<u>Executive Vice President</u>	<u>Robert C. Thompson, III</u>

3. That the persons designated to serve in the above entitled capacities have been given sufficient authority to act on behalf of and to bind the Corporation, and that each document executed before, after or on the date of this Certificate by any one or more of the above persons will constitute a legally binding and enforceable obligation of the Corporation, and that the Corporation has authorized and approved the same.

4. That this Certificate shall be in full force and effect until revoked in writing by the Secretary, Assistant Secretary or by any other duly authorized officer of the Corporation.

5. That pursuant to the Corporation's By-Laws and/or Resolutions, as amended, the undersigned has the power and authority to execute this Certificate on behalf of the Corporation.

IN WITNESS WHEREOF, I have affixed my name and set the seal of the Corporation this 27th day of October, 2003.

(Corporate Seal)

Grace Howard
Signature

Grace Howard
Print name

Secretary
Title

APPLIED FINANCIAL, LLC

6975 Union Park Center, Suite 200
Midvale, Utah 8404

INSURANCE REQUIREMENTS

A Certificate of Insurance from your insurer is required, naming under your casualty and liability policies:

APPLIED FINANCIAL
and its assigns as
additional insureds and loss payees.

The Certificate shall cover property damage, liability insurance and insurance against loss or damage to the leased property including, without limitation, loss by fire, theft, collision and such other risks of loss as are customarily insured against for the type of property leased. The amount of insurance against loss or damage shall be equal to \$1,852,176.00. The amount of insurance covering liability shall be no less than \$2,000,000 general aggregate/\$1,000,000 each occurrence.

The Certificate shall name Lessee as insured and Lessor and its assignees as additional insured and loss payees thereof. The Certificate shall also reference Master Lease Agreement No. AFI0367 and Lease Schedule No. 001, and shall list all locations covered under the policy.

The Certificate shall state that Lessor and its assignees will be given at least 30 days prior written notice of any material alteration in the terms of such policy or the cancellation thereof.

Please complete and return this form as acknowledgement of your coverage and that you have requested a Certificate.

INSURER St. Paul Insurance Company

ADDRESS St. Paul, Minnesota

POLICY # FS06801744 EXPIRES 5-19-04

AGENCY Tyler, King & Ryder

CONTACT James A. Tyler PHONE 662-289-4621

E-MAIL tttyler@tkrionline.com FAX 662-289-3232

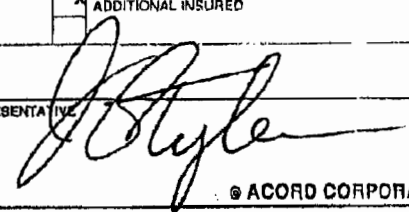
LESSEE: **MERCHANTS AND FARMERS BANK** ADDRESS: **134 W. Washington Street**
Kosciusko, MS 39090

BY: Robert C. Thompson, JR.

TITLE: FRP & CFO

DATE: October 21, 2003

Master Lease Agreement No. AFI0367
Lease Schedule No. 001

ACORD. EVIDENCE OF PROPERTY INSURANCE		DATE (MM/DD/YY) 10-28-03	
THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.			
PRODUCER Tyler, King & Ryder Box 707 Kosciusko, MS 39090	PHONE (A/C, No, Ext):	COMPANY St. Paul Insurance Company	
CODE: AGENCY CUSTOMER ID #: INSURED First M&F Corporation Merchants & Farmers Bank Box 520 Kosciusko, MS 39090	SUB CODE:	LOAN NUMBER	POLICY NUMBER FS06801744
		EFFECTIVE DATE 5-19-03	EXPIRATION DATE 5-19-04
		<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED:			
PROPERTY INFORMATION LOCATION/DESCRIPTION Blanket computer hardware & software at all bank locations			
COVERAGE INFORMATION			
COVERAGE/PERILS/FORMS		AMOUNT OF INSURANCE	DEDUCTIBLE
Computer property protection form 42441		\$4,014,664	\$1,000
Commercial Liability: \$1,000,000 each occurrence \$2,000,000 aggregate			
REMARKS (Including Special Conditions) Applied Financial, LLC and its Assigns are listed as additional insureds and loss payee in regard to Master Lease #AF10367, Lease Schedule #1 Amount: \$1,037,000			
CANCELLATION THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.			
ADDITIONAL INTEREST NAME AND ADDRESS Applied Financial, LLC 6975 Union Park Center, Suite 200 Midvale, Utah 84047		<input checked="" type="checkbox"/> MORTGAGE <input checked="" type="checkbox"/> LOSS PAYEE LOAN # AUTHORIZED REPRESENTATIVE 	
ACORD 27 (3/93)		© ACORD CORPORATION 1993	

GUARANTY

THIS GUARANTY is made by **FIRST M & F CORPORATION** of 134 W. Washington Street, Kosciusko, MS 39090 (the "Guarantor") to **APPLIED FINANCIAL, LLC** of 6975 Union Park Center, Suite 200, Midvale, Utah 84047 (the "Lessor") on behalf of **MERCHANTS AND FARMERS BANK** of 134 W. Washington Street, Kosciusko, MS 39090 (the "Lessee").

RECITALS:

A. Lessor and Lessee have or intend to enter into a certain Master Lease Agreement No. AFI0367 dated October 2, 2003, which includes all riders, amendments, supplements or other attachments now or hereafter executed in connection therewith (herein collectively, the "Master Lease"). In connection with the Master Lease, Lessor and Lessee have or intend to enter into one or more Lease Schedules (the "Schedule" or "Schedules") for the purpose of leasing property listed thereon. Each Schedule shall incorporate the terms and conditions of the Master Lease and shall constitute a separate and independent "Lease" for the property listed thereon.

B. As a condition to Lessor's execution of one or more Leases with Lessee, Lessor requires Guarantor to guarantee Lessee's obligations under each Lease.

C. Guarantor is financially interested in Lessee, and by Lessor's execution of each Lease, Guarantor will receive reasonably equivalent value for this Guaranty.

D. Guarantor is willing to guarantee Lessee's obligations under each Lease in accordance with the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and as an inducement to Lessor to enter into each Lease with Lessee, Guarantor represents, warrants and agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees the full, complete and prompt payment, performance and observance of all of Lessee's obligations under each Lease, including without limitation the payment of rents and the payment of all amounts required or provided for under the Lease resulting from Lessee's breach or non-performance thereof. Guarantor agrees that this is an irrevocable, continuing guaranty and that Guarantor shall perform its obligations hereunder notwithstanding any renewal, extension, modification or discharge of any of Lessee's obligations under the Lease. This Guaranty shall apply to each Schedule Lessee executes in connection with the Master Lease, and Lessor shall not be required to notify Guarantor of Lessee's execution of each such Schedule before, at the time of, or after it is executed and delivered.

2. Default by Lessee. Guarantor's obligations hereunder are separate and independent of Lessee's obligations under any Lease. If an Event of Default shall occur and be continuing under any Lease, Lessor may pursue its remedies against Lessee and/or proceed directly against Guarantor for the payment, performance or observance of any and all of Lessee's obligations under the Lease, and Guarantor hereby waives any right to require Lessor: (a) to proceed first or otherwise against Lessee; (b) to proceed against or exhaust any security it may hold; or (c) to pursue any other remedy available to it.

3. Waiver. Guarantor hereby waives notice of acceptance of this Guaranty by Lessor and waives presentment, demand for performance, notice of default, protest, notice of protest, notice of dishonor and any other notice otherwise required with respect to Lessee's failure to perform under the Lease.

Guarantor also waives any defense or disability available to Lessee which might save or release it from liability including, without limitation, defect in or unenforceability of the Lease. No delay on the part of Lessor in exercising any rights under this Guaranty or failure to exercise the same shall operate as a waiver of such rights. No modification or waiver of the provisions of this Guaranty shall be effective unless in writing signed by Lessor, and no such waiver shall be applicable and effective except in the specific instance for which it is given.

4. Authority to Modify Obligations. Without causing a release of Guarantor from its obligations hereunder, Lessor shall be authorized to renew, extend, accelerate or otherwise change the payment schedule or other terms of any Lease; accept partial payments from the Lessee; take and apply any security (if applicable) and exercise any remedy against the Lessee; amend, substitute, waive, subordinate or release any property or additional security or any obligations covered under any Lease; settle, release, compound, compromise, collect or otherwise liquidate the obligations covered under any Lease; and release Lessee from any obligations under any Lease. Lessor shall not be required to notify Guarantor of any of the foregoing modifications made.

5. Familiarity with Lessee. Guarantor shall be solely responsible to keep itself informed as to the financial and other condition of Lessee and of all circumstances bearing upon the risk of Lessee's breach or non-performance of any Lease. Lessor shall have no duty to advise Guarantor of information known to it regarding Lessee's condition, financial or otherwise.

6. Discharge. Nothing shall discharge or satisfy Guarantor's obligations hereunder except the full payment, performance and observance of all of Lessee's obligations under each Lease. Guarantor shall have no right of subrogation, reimbursement or indemnity whatsoever against Lessee and no right of recourse to any of the assets of Lessee under any right of claim resulting from Guarantor's performance under this Guaranty. If any claim is made upon Lessor at any time for repayment or recovery of any amount(s) or other value received by Lessor from any sources, in payment of or on account of any of the liabilities of Lessee guaranteed hereunder and Lessor repays or otherwise becomes liable for all or any part of such claims, for whatever reason, the undersigned shall remain liable to Lessor hereunder as if such amount(s) had never been received by Lessor, notwithstanding any termination hereof or the termination of the agreements evidencing any of the liabilities of Lessor. The terms of this paragraph shall survive the termination of this Guaranty.

7. Representations and Warranties. Guarantor hereby represents and warrants that this Guaranty is a binding obligation of the Guarantor and is enforceable against Guarantor in accordance with its terms, and that the execution, delivery and performance of this Guaranty has been approved by all necessary corporate action and does not violate or conflict with Guarantor's articles of organization, bylaws, resolutions or other governing instruments and will not result in a breach of any agreement to which Guarantor is a party.

8. Applicable Law; Costs of Enforcement. Guarantor agrees that this Guaranty shall be governed by and construed in accordance with the substantive law of the State of Utah and that jurisdiction of any dispute shall be in the Utah state or federal courts. Guarantor submits itself to such jurisdiction. Guarantor agrees that it shall reimburse Lessor for all costs and expenses incurred by Lessor in connection with the enforcement of this Guaranty, including without limitation court costs and reasonable attorneys fees.

9. Assignment. Lessor may assign this Guaranty to another party without notice to Guarantor, and upon such assignment, the assignee shall be entitled to all of the benefits, rights and remedies of Lessor, as if no assignment had been made.

10. Benefit. This Guaranty shall be binding upon the Guarantor, its successors and assigns and shall inure to the benefit of Lessor, its successors and assigns, including any successor assignees.

11. Entire Agreement; Modification; Partial Invalidity. This Guaranty represents the entire obligation of Guarantor in favor of Lessor, and there are no prior or contemporaneous verbal or written modifications to it. This Guaranty shall not be modified or limited except in a writing signed by Lessor and all parties to be bound. In the event that any provision of this Guaranty shall be held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.

Dated: October 2, 2003

GUARANTOR:

ATTEST:

FIRST M & F CORPORATION

BY: Scott M. Wigg

BY: Robert C. Thompson, III

TITLE: President & C.O.O.

TITLE: Treasurer

CORPORATE

STATE OF Mississippi

}ss:

COUNTY OF Attala

On the 18th day of November, 2003 before me personally came Scott M. Wiggers, who being by me duly sworn, did depose and say that he/she resides in Kosciusko, MS that he/she is the President/COO of First M & F Corporation, the corporation described in and which executed within instrument; that he/she knows the seal of said corporation; that he/she is duly authorized by the corporation to execute the within instrument on behalf of the corporation; and that he/she signed his/her name thereto on behalf of the corporation.


Notary Public

My commission expires _____

MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES FEB. 10, 2006

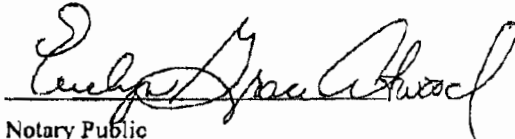
CORPORATE

STATE OF Mississippi

}ss:

COUNTY OF Attala

On the 18th day of November, 2003 before me personally came Robert C. Thompson, III, who being by me duly sworn, did depose and say that he/she resides in Kosciusko, MS that he/she is the Treasurer of First M & F Corporation, the corporation described in and which executed within instrument; that he/she knows the seal of said corporation; that he/she is duly authorized by the corporation to execute the within instrument on behalf of the corporation; and that he/she signed his/her name thereto on behalf of the corporation.


Notary Public

My commission expires _____
MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES FEB. 10, 2006

CERTIFICATE OF CORPORATE RESOLUTION


The undersigned, does hereby certify that he/she is the Secretary of **FIRST M & F CORPORATION**, a corporation duly organized, existing in good standing under the laws of the state of its incorporation, and qualified to do business in all jurisdictions where it is now conducting business (hereinafter "Corporation"), and further certifies that the following is a true and exact copy of a Resolution duly adopted by the Board of Directors of the Corporation at a meeting held in accordance with the By-Laws of the Corporation on the 12th day of November, 2003; and that the same is in full force and effect:

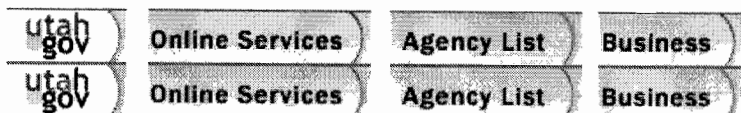
RESOLVED, that the Corporation execute a Guaranty in favor of Applied Financial, LLC ("AFI"), guarantying the obligations of **MERCHANTS AND FARMERS BANK**, as Lessee, under a Master Lease Agreement with AFI, as Lessor, together with all Lease Schedules and other documents signed in connection therewith, whether signed before, at the time of, or after the execution by the Corporation of the Guaranty.

RESOLVED, that Scott M. Wiggers as President & C.O.O. of the Corporation is hereby authorized and directed to execute on behalf of the Corporation, acting alone or jointly, the Guaranty and all documents required in connection therewith, and to take all other action on behalf of the Corporation as may be deemed necessary to give effect to the same.

IN WITNESS WHEREOF, I have affixed my name and set the seal of the Corporation this 18th day of November, 2003

(Corporate Seal)


Signature
Secretary
Title


 Search

 Search

Utah Department of
Commerce

Business Entity Search

[Help](#)

Name	Type	City	Status
MARQUETTE EQUIPMENT FINANCE, LLC	Limited Liability Company	Midvale	Active
Business Name: MARQUETTE EQUIPMENT FINANCE, LLC Entity Number: 4821457-0160 Registration Date: 10/10/2000 State of Origin:			

Address

6975 UNION PARK CENTER STE#200
Midvale, UT 84047

Status

Status: Active
Status Description: Good Standing
This Status Date: 10/10/2000
Last Renewed: 09/16/2008
License Type: LLC - Domestic
Delinquent Date: 10/10/2009

Registered Agent

Registered Agent: C T CORPORATION SYSTEM
[\[Search BES\]](#) [\[Search RPS\]](#)
Address Line 1: 136 EAST SOUTH TEMPLE, SUITE 2100
Address Line 2:
City: Salt Lake City
State: UT
Zip: 84111

Additional Information

NAICS Code: 5142
NAICS Title: 5142-Data Processing Services
Stock Class 1 Amount: 1,000,000
Stock Class 1 Type: COMMON

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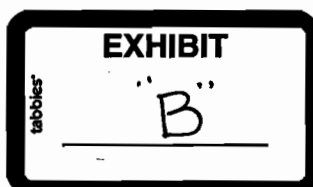


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AFFIDAVIT OF JAMES L. CHRISTENSEN

STATE OF UTAH
COUNTY OF SALT LAKE

PERSONALLY CAME AND APPEARED BEFORE ME, the undersigned authority in and for the jurisdiction aforesaid, the within-named James L. Christensen, who, having been first duly sworn by me, states on oath the following:

1. My name is James L. Christensen, and I am the President of Marquette Equipment Finance, LLC ("Marquette"). I have personal knowledge of the facts set forth in this Affidavit and am competent to testify in the matters stated herein.

2. At all times relevant to this action, I was President of Marquette Equipment Finance, LLC.

3. Merchants and Farmers Bank ("M&F") entered into in Master Lease Agreement No. AFI0367 and Lease Schedule 001 (collectively with amendments thereto "Lease") with Applied Financial, LLC, ("Applied Financial") on October 2, 2003, in order to lease certain computer equipment and software. A copy of the Lease documents referred to above is attached hereto as **Exhibit "A"**. Applied Financial thereafter changed its name to Marquette.

4. Pursuant to the terms of the Lease, M&F agreed to pay monthly rental payments in the amount of \$24,246.46 throughout the initial period of the Lease. The initial period of the Lease ends on March 31, 2009.

5. According to Paragraph 19(g) of the Lease, M&F had three options at the end of the initial period of the Lease: (1) purchase the property for a price to be determined by M&F and Marquette, (2) extend the current Lease for a minimum of 18 months at the current rental rate, or (3) return the property currently being leased, terminate the Lease, and enter into a new lease schedule for replacement property under terms and conditions to be agreed by M&F and Marquette. Paragraph 19(g) also

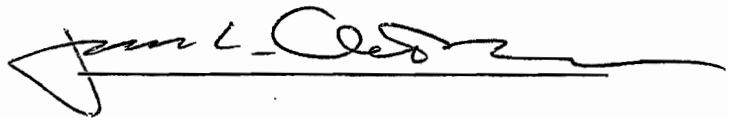


provides that should the parties fail to reach an agreement as to purchase price under option (1) or terms of renewal under option (3), then the Lease will automatically be extended in accordance with option (2).

6. Paragraph 19(g) of the Lease also provides that should option (2) come into effect, either by election or by default due to the inability of M&F and Marquette to reach an agreement as to options (1) or (3), the Lease will continue for a minimum of 18 months from the end of the current initial Lease period. During this extension M&F will remain obligated to make at least 18 monthly rental payments of \$24,246.46 for a total amount of \$436,436.28 in rental fees.

7. There are multiple claims for relief in M&F's complaint, all of which implicate monetary relief in excess of \$75,000.00. Based upon the relief sought in just one of the demands in M&F's complaint, M&F is attempting to avoid the additional lease payments of \$436,436.28.¹ Thus, the amount in controversy in this action easily exceeds the jurisdictional limit of \$75,000.00.

FURTHER, affiant saith not.

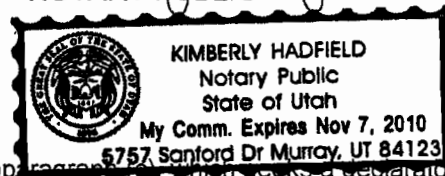


SWORN TO AND SUBSCRIBED BEFORE ME, this the 20th day of January, 2009.

My Commission Expires:

November 7, 2010


NOTARY PUBLIC



¹ See the *ad damnum* portion of M&F's Complaint, subparagraph (4), which seeks a declaratory judgment that "M&F has no further obligation under the Lease other than payment of the monthly lease payment through the Initial Period."

APPLIED FINANCIAL, LLC

6975 Union Park Center, Suite 200
Midvale, Utah 84047

ORIGINAL

MASTER LEASE AGREEMENT NO. AFI0367

This Master Lease Agreement, together with its definition exhibit, Exhibit "A", attached hereto and made a part hereof by reference, is made on October 2, 2003, between APPLIED FINANCIAL, LLC, with its principal office at 6975 Union Park Center, Suite 200, Midvale, UT 84047 (the "Lessor") and MERCHANTS AND FARMERS BANK, a corporation organized in the state of Mississippi, with its chief executive office located at 134 W. Washington Street, Kosciusko, MS 39090 (the "Lessee").

Capitalized terms not defined herein shall have the meanings ascribed to them in Exhibit "A" or in the Schedule.

1. LEASE:

Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor the Property described in any Schedule executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement. Each Schedule shall incorporate by reference the terms and conditions of this Master Lease Agreement, and together with the Acceptance Certificate and Master Progress Funding Agreement, if applicable, shall constitute a separate Lease. In the event of conflict between the provisions of this Master Lease Agreement and any Schedule, the provisions of the Schedule shall govern.

2. CONDITIONS PRECEDENT:

Lessor's obligations under each Schedule are conditioned upon Lessor's receipt of and determination that the following are satisfactory to Lessor: (a) lien searches in the jurisdiction of Lessee's organization and in each jurisdiction in which the Property and/or Lessee's chief executive office are located; (b) if requested by Lessor, a certified copy of Lessee's organizational documents; and (c) if requested by Lessor, certificates of good standing from the jurisdiction of Lessee's organization and evidence of Lessee's organizational number.

3. TERM OF LEASE:

The term of any Lease, as to all Property designated on the applicable Schedule, shall commence on the Acceptance Date for such Property, and shall continue for an Initial Period ending that number of months from the Commencement Date as specified in the Schedule. Thereafter, Lessee shall have those options provided in Section 19(g) of this Master Lease Agreement.

4. RENT AND PAYMENT:

Lessee shall pay as rent for use of the Property, aggregate rentals equal to the sum of all the Monthly Rentals and other payments due under the Lease for the entire Initial Period. The Monthly Rental shall begin on the Acceptance Date and shall be due and payable by Lessee in advance on the first day of each month throughout the Initial Period. If the Acceptance Date does not fall on the first day of a calendar quarter, then the first rental payment shall be calculated by multiplying the number of days from and including the Acceptance Date to the Commencement Date by a daily rental equal to one-thirtieth (1/30) of the Monthly Rental, and shall be due and payable on the Acceptance Date. Lessee shall pay all rentals to Lessor, or its assigns, at Lessor's address set forth above (or as otherwise directed in writing by Lessor, or its assigns), without notice or demand. **LESSEE SHALL NOT ABATE, SET OFF OR DEDUCT ANY AMOUNT OR DAMAGES FROM OR REDUCE ANY MONTHLY RENTAL OR OTHER PAYMENT DUE FOR ANY REASON. THIS LEASE IS NON-CANCELABLE FOR THE ENTIRE TERM OF THE INITIAL PERIOD AND ANY EXTENSION PERIODS.**

If any rental or other payment due under any Lease shall be unpaid after its due date, Lessee will pay on demand, as a late charge, but not as interest, the greater of twenty-five dollars (\$25.00) or five percent (5%) of any such unpaid amount but in no event to exceed maximum lawful charges.

5. TAXES:

Lessee shall pay to Lessor all taxes, fees, assessments and charges paid, payable or required to be collected by Lessor, however designated, which are levied or based on the Monthly Rental or other payment due under the Lease, or on the

EXHIBIT

1

possession, use, operation, lease, rental, sale, purchase, control or value of the Property, including without limitation, registration and license fees and assessments, state and local privilege or excise taxes, documentary stamp taxes or assessments, sales and use taxes, personal and other property taxes, and taxes or charges based on gross revenue, but excluding taxes based on Lessor's net income. Lessee shall promptly remit to Lessor all taxes in advance of their payment due date. Lessee shall pay all penalties and interest resulting from its failure to timely remit all taxes to Lessor. Lessee also agrees to pay all servicing costs associated with processing and paying sales and property taxes. Lessor shall file all required sales and use tax and personal property tax returns and reports concerning the Property with all applicable governmental agencies.

6. USE; ALTERATIONS AND ATTACHMENTS:

(a) After Lessee receives and inspects any Property and is satisfied that the Property is satisfactory, Lessee shall execute and deliver to Lessor an Acceptance Certificate in form provided by Lessor; provided, however, that Lessee's failure to execute and deliver an Acceptance Certificate for any Property shall not affect the validity and enforceability of the Lease with respect to the Property. If Lessee has signed and delivered a Master Progress Funding Agreement, Lessor may, in its sole discretion, at any time by written notice to Lessee, declare all prior Authorizations (defined in the Master Progress Funding Agreement) signed in connection with the Master Progress Funding Agreement to be and constitute the Acceptance Certificate for all purposes under the Lease, and the Acceptance Date of the Lease shall be the date determined by Lessor in its sole discretion which shall not be earlier than the date of the last Authorization.

(b) Lessee shall at all times keep the Property in its sole possession and control. The Property shall not be moved from the location stated in the Schedule without the prior written consent of Lessor.

(c) Lessee shall cause the Property to be installed, used, operated and, at the termination of the Lease, if applicable, removed (i) in accordance with any applicable manufacturer's manuals or instructions; (ii) by competent and duly qualified personnel only; and (iii) in accordance with applicable governmental regulations.

(d) Lessee may not make alterations or attachments to the Property without first obtaining the written consent of Lessor. Any such alterations or attachments shall be made at Lessee's expense and shall not interfere with the normal and satisfactory operation or maintenance of the Property. The manufacturer may incorporate engineering changes or make temporary alterations to the Property upon request of Lessee. Unless Lessor shall otherwise agree in writing, all such alterations and attachments shall be and become the property of Lessor upon their attachment to the Property or, at the option of Lessor, shall be removed by Lessee at the termination of the Lease and the Property restored at Lessee's expense to its original condition, reasonable wear and tear only excepted.

(e) The Property consists solely of personal property and not fixtures. The Property is removable from and is not essential to the premises at which the Property is located. The Property is and shall remain personal property during the term of the Lease notwithstanding that any portion thereof may in any manner become affixed, attached to or located on real property or any building or improvement thereon. Lessee shall not affix or attach any of the Property to any real property in any manner which would change its nature from that of personal property to real property or to a fixture or permit such to occur. Lessee shall not permit the Property to become an accession to other goods or a fixture to or part of any real property. Lessee will obtain and deliver to Lessor a lien waiver in a form satisfactory to Lessor, from all persons not a party hereto who might claim an interest, lien or other claim in the Property.

(f) In the event the Property includes Software, the following shall apply: (i) Lessee shall possess and use the Software in accordance with the terms and conditions of any License agreement entered into with the owner/vendor/licensor of such Software and shall not breach the License (at Lessor's request, Lessee shall provide a complete copy of the License to Lessor); (ii) Lessee agrees that Lessor has an interest in the License and Software due to its payment of the price thereof and is an assignee or third-party beneficiary of the License; (iii) as due consideration for Lessor's payment of the price of the License and Software and for providing the Software to Lessee at a lease rate (as opposed to a debt rate), Lessee agrees that Lessor is leasing (and not financing) the Software to Lessee; (iv) except for the original price paid by Lessor, Lessee shall, at its own expense, pay promptly when due all servicing fees, maintenance fees, update and upgrade costs, modification costs, and all other costs and expenses relating to the License and Software and maintain the License in effect during the term of the Lease; and (v) the Software shall be deemed Property for all purposes under the Lease.

(g) Lessee shall comply with all applicable laws, regulations, requirements, rules and orders, all manufacturer's instructions and warranty requirements, and with the conditions and requirements of all policies of insurance with respect to the Property and the Lease.

- (h) The Property is leased solely for commercial or business purposes.

7. MAINTENANCE AND REPAIRS; RETURN OF PROPERTY:

(a) During the continuance of each Lease, Lessee shall, at its own expense, and in accordance with all manufacturer maintenance specifications, (i) keep the Property in good repair, condition and working order; (ii) make all necessary adjustments, repairs and replacements; (iii) furnish all required parts, mechanisms, devices and servicing; and (iv) not use or permit the Property to be used for any purpose for which, in the opinion of the manufacturer, the Property is not designed or reasonably suitable. Such parts, mechanisms and devices shall immediately become a part of the Property for all purposes hereunder and title thereto shall vest in Lessor. If the manufacturer does not provide maintenance specifications, Lessee shall perform all maintenance in accordance with industry standards for like property.

(b) During the continuance of each Lease, Lessee shall, at its own expense, enter into and maintain in force a contract with the manufacturer or other qualified maintenance organization reasonably satisfactory to Lessor for maintenance of each item of Property that requires such a contract. Such contract as to each item shall commence upon the earlier of the Authorization date, if applicable, or the Acceptance Date. Lessee shall furnish Lessor with a copy of such contract or provide to Lessor satisfactory evidence of self-maintenance, in Lessor's sole discretion, upon demand.

(c) Lessee shall pay all shipping and delivery charges and other expenses incurred in connection with the Property. Upon default, or at the expiration or earlier termination of any Lease, Lessee shall, at its own expense, assemble, prepare for shipment and promptly return the Property to Lessor at the location within the continental United States designated by Lessor. Upon such return, the Property shall be in the same operating order, repair, condition and appearance as on the Acceptance Date, except for reasonable wear and tear from proper use thereof, and shall include all engineering changes theretofore prescribed by the manufacturer. Lessee shall provide maintenance certificates or qualification letters and/or arrange for and pay all costs which are necessary for the manufacturer to accept the Property under contract maintenance at its then standard rates ("recertification"). The term of the Lease shall continue upon the same terms and conditions until such recertification has been obtained.

(d) With regard to Software, at the expiration or earlier termination of any Lease, or upon demand by Lessor upon the occurrence of an Event of Default (hereinafter defined) under the Lease, Lessee shall (i) delete from its systems all Software then installed; (ii) destroy all copies or duplicates of the Software which were not returned to Lessor; and (iii) cease using the Software altogether. Upon its receipt from Lessee, Lessor shall be responsible to return the Software to the owner/vendor/licensor so that Lessee shall not be in breach of any software license.

8. OWNERSHIP AND INSPECTION:

(a) The Property shall at all times be the property of Lessor or its assigns, and Lessee shall have no right, title or interest therein except as to the use thereof subject to the terms and conditions of the Lease. For purposes of the foregoing, Lessee transfers to Lessor all of Lessee's right, title and interest (including all ownership interest) in and to the Property free and clear of all liens, security interests and encumbrances. Lessor may affix (or require Lessee to affix) tags, decals or plates to the Property indicating Lessor's ownership, and Lessee shall not permit their removal or concealment. Lessee shall not permit the name of any person or entity other than Lessor or its assigns to be placed on the Property as a designation that might be interpreted as a claim of ownership or security interest.

(b) **LESSEE SHALL KEEP THE PROPERTY AND LESSEE'S INTEREST UNDER ANY LEASE FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES, EXCEPT THOSE PERMITTED IN WRITING BY LESSOR OR ITS ASSIGNS.**

(c) Lessor, its assigns and their agents shall have free access to the Property at all reasonable times during normal business hours for the purpose of inspecting the Property and for any other purpose contemplated in the Lease. Lessee shall pay all inspection costs incurred by Lessor.

(d) Lessee shall immediately notify Lessor in writing of all details concerning any damage or loss to the Property, including without limitation, any damage or loss arising from the alleged or apparent improper manufacture, functioning or operation of the Property.

9. WARRANTIES:

(a) Lessee acknowledges that Lessor is not the manufacturer of the Property nor the manufacturer's agent nor a dealer therein. The Property is of a size, design, capacity, description and manufacture selected by the Lessee. Lessee is satisfied that the Property is suitable and fit for its purposes. LESSEE AGREES THAT LESSOR HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY OR REPRESENTATION WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO: (i) THE DESCRIPTION, CONDITION, DESIGN, QUALITY OR PERFORMANCE OF THE PROPERTY OR QUALITY OR CAPACITY OF MATERIALS OR WORKMANSHIP IN THE PROPERTY; (ii) ITS MERCHANTABILITY OR FITNESS OR SUITABILITY FOR A PARTICULAR PURPOSE WHETHER OR NOT DISCLOSED TO LESSOR; AND (iii) DELIVERY OF THE PROPERTY FREE OF THE RIGHTFUL CLAIM OF ANY PERSON BY WAY OF INFRINGEMENT OR THE LIKE. LESSOR EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES. If the Software is not properly installed, does not function as represented or warranted by original owner/vendor/licensor, or is unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against original owner/vendor/licensor and shall nevertheless pay all sums payable under the Lease, Lessee hereby waiving the right to make any such claims against Lessor. Lessor shall not be liable to Lessee for any loss, damage or expense of any kind or nature caused, directly or indirectly, by the Property or the use, possession or maintenance thereof, or the repair, service or adjustment thereof, or by any delay or failure to provide any such maintenance, repair, service or adjustment, or by any interruption of service or loss of use thereof (including without limitation, Lessee's use of or right to use any Software) or for any loss of business howsoever caused.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE LEASE, LESSOR SHALL NOT, UNDER ANY CIRCUMSTANCES, BE LIABLE TO LESSEE OR ANY THIRD PARTY, FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED TO THE TRANSACTION CONTEMPLATED HEREUNDER, WHETHER IN AN ACTION BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR ANY OTHER LEGAL THEORY, INCLUDING WITHOUT LIMITATION, LOSS OF ANTICIPATED PROFITS, OR BENEFITS OF USE OR LOSS OF BUSINESS, EVEN IF LESSOR IS APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES OCCURRING.

IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF ANY LEASE WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES, IS INTENDED BY THE PARTIES TO BE SEVERABLE FROM ANY OTHER PROVISION AND IS A SEPARABLE AND INDEPENDENT ELEMENT OF RISK ALLOCATION AND IS INTENDED TO BE ENFORCED AS SUCH.

(c) Lessor assigns to Lessee all assignable warranties on the Property, including without limitation any warranties described in Lessor's purchase contract, which assignment shall be effective only (i) during the Initial Period and any extensions thereof; and (ii) so long as no Event of Default exists.

10. NET LEASE; LESSEE'S OBLIGATIONS ABSOLUTE AND UNCONDITIONAL:

All Leases are "net leases" and, as between Lessor and Lessee, Lessee shall be responsible for and shall indemnify Lessor against, all costs, expenses and claims of every nature whatsoever arising out of or in connection with or related to the Lease or the Property.

Lessee agrees that its obligation to pay Monthly Rentals and other obligations under the Lease shall be irrevocable, independent, absolute and unconditional and shall not be subject to any abatement, reduction, recoupment, defense, offset or counterclaim otherwise available to Lessee; nor, except as otherwise expressly provided herein or as agreed to by Lessor in writing, shall any Lease terminate for any reason whatsoever prior to the end of the Initial Period.

11. ASSIGNMENT BY LESSOR:

Lessor may assign or transfer its rights and interests in the Lease and Property to Lessor's Assignee either outright or as security for loans. Upon notice of any such assignment and instructions from Lessor, Lessee shall pay its Monthly Rental and other payments and perform its other obligations under the Lease to the Lessor's Assignee (or to another party designated by Lessor's Assignee). Upon any such sale or assignment, LESSEE'S OBLIGATIONS TO LESSOR'S ASSIGNEE UNDER THE ASSIGNED LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL AND LESSEE WILL NOT ASSERT AGAINST LESSOR'S ASSIGNEE ANY CLAIM, DEFENSE, OFFSET OR COUNTERCLAIM WHICH LESSEE MIGHT HAVE AGAINST LESSOR. Lessee waives and will not assert against any assignee of Lessor any claims,

defenses, or set-offs which Lessee could assert against Lessor. Lessor's Assignee shall have all of the rights but none of the obligations of Lessor under the assigned Lease, and after such assignment Lessor shall continue to be responsible for all of Lessor's obligations under the Lease.

Upon any such assignment, Lessee agrees to promptly execute or otherwise authenticate and deliver to Lessor estoppel certificates, acknowledgments of assignment, records and other documents requested by Lessor which acknowledge the assignment, affirmation of provisions of the Lease which may be required to effect the Underwriting. Lessee authorizes Lessor's assigns to file UCC-1 financing statements or precautionary filings as Lessor or its assigns deem necessary. Lessor's assigns are authorized to take any measures necessary to protect their interest in the Property.

Only one executed counterpart of any Schedule shall be marked "Original"; any other executed counterparts shall be marked "Duplicate Original" or "Counterpart". No security interest in any Schedule may be created or perfected through the transfer or possession or control, as applicable, of any counterpart other than the document or record, as applicable, marked "Original".

12. RISK OF LOSS ON LESSEE:

From the earlier of the date the supplier ships the Property to Lessee or the date Lessor confirms Lessee's purchase order or contract to supplier until the date the Property is returned to Lessor as provided in the Lease, Lessee hereby assumes and shall bear all risk of loss for theft, damage or destruction to the Property, howsoever caused. NO SUCH LOSS OR DAMAGE SHALL IMPAIR ANY OBLIGATION OF LESSEE UNDER THIS LEASE WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.

In the event of damage or loss to the Property (or any part thereof) and irrespective of payment from any insurance coverage maintained by Lessee, but applying full credit therefore, Lessee shall at the option of Lessor, (a) place the Property in good repair, condition and working order; or (b) replace the Property (or any part thereof) with like property of equal or greater value, in good repair, condition and working order and transfer clear title to such replacement property to Lessor whereupon such replacement property shall be deemed the Property for all purposes under the Lease; or (c) pay to Lessor the total rent due and owing at the time of such payment plus an amount calculated by Lessor which is equal to the Casualty Loss Value (defined in the Casualty Loss Schedule) specified in the Casualty Loss Schedule attached to the Schedule.

13. INSURANCE:

Lessee shall obtain and maintain for the entire time the Lease is in effect, at its own expense (as primary insurance for Lessor and Lessee), property damage and liability insurance and insurance against loss or damage to the Property including without limitation loss by fire (including so-called extended coverage), theft, collision and such other risks of loss as are customarily insured against on the type of Property leased under any lease and by businesses in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor; provided, however, that the amount of insurance against loss or damage to the Property shall be equal to or greater than the Casualty Loss Value of such items of Property as specified in the Casualty Loss Schedule attached to the Schedule. Each insurance policy will name Lessee as insured and Lessor and its assignees as additional insureds and loss payees thereof, shall contain cross-liability endorsements and shall contain a clause requiring the insurer to give Lessor and its assignees at least thirty (30) days prior written notice of any material alteration in the terms of such policy or of the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance or other evidence satisfactory to Lessor that such insurance coverage is in effect; provided, however, that Lessor shall be under no duty either to ascertain the existence of or to examine such insurance policy or to advise Lessee in the event such insurance coverage shall not comply with the requirements hereof. All insurance covering loss or damage to the Property shall contain a breach of warranty clause satisfactory to Lessor.

14. INDEMNIFICATION:

Lessee shall indemnify and hold Lessor harmless from and against any and all claims, (including without limitation negligence, tort and strict liability), damages, judgments, suits and legal proceedings, and any and all costs and expenses in connection therewith (including attorney fees incurred by Lessor either in enforcing this indemnity or in defending against such claims), arising out of or in any manner connected with or resulting from the Lease or the Property, including, without limitation the manufacture, purchase, financing, ownership, rejection, non-delivery, transportation, delivery, possession, use, operation, maintenance, condition, lease, return, storage or disposition thereof; including without limitation (a) claims for injury to or death of persons and for damage to property; (b) claims relating to patent, copyright, or trademark infringement; (c) claims relating to latent or other defects in the Property whether or not discoverable by Lessor; and (d) claims for wrongful,

negligent or improper act or misuse by Lessor. Lessee agrees to give Lessor prompt notice of any such claim or liability. For purposes of this paragraph and any Lease, the term "Lessor" shall include Lessor, its successors and assigns, shareholders, members, owners, partners, directors, officers, representatives and agents, and the provisions of this paragraph shall survive expiration of any Lease with respect to events occurring prior thereto.

Upon request of Lessor, Lessee shall assume the defense of all demands, claims, or actions, suits and all proceedings against Lessor for which indemnity is provided and shall allow Lessor to participate in the defense thereof. Lessor shall be subrogated to all rights of Lessee for any matter which Lessor has assumed obligation hereunder, and may settle any such demand, claim, or action without Lessee's prior consent, and without prejudice to Lessor's right to indemnification hereunder.

15. DEFAULT:

An "Event of Default" shall occur under any Lease if:

- (a) Lessee fails to pay any Monthly Rental or other payment required under the Lease when the same becomes due and payable and such failure continues for ten (10) days after its due date;
- (b) Lessee attempts to or does, remove, sell, assign, transfer, encumber, sublet or part with possession of any one or more items of the Property or any interest under any Lease, except as expressly permitted herein, or permits a judgment or other claim to become a lien upon any or all of Lessee's assets or upon the Property;
- (c) Lessee permits any item of Property to become subject to any levy, seizure, attachment, assignment or execution; or Lessee abandons any item of Property;
- (d) Lessee or any guarantor, fails to observe or perform any of its covenants and obligations required to be observed or performed under the Lease and such failure continues uncured for ten (10) days after occurrence thereof, except that the ten (10) day cure period shall not apply and an Event of Default shall occur immediately upon Lessee's failure to maintain insurance;
- (e) Lessee or any guarantor, breaches any of its representations and warranties made under any Lease, or if any such representations or warranties shall be false or misleading in any material respect;
- (f) Lessee or any guarantor, shall (i) be adjudicated insolvent or a bankrupt, or cease, be unable, or admit its inability, to pay its debts as they mature, or make a general assignment for the benefit of creditors or enter into any composition or arrangement with creditors; (ii) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of a substantial part of its property, or authorize such application or consent, or proceedings seeking such appointment shall be instituted against it without such authorization, consent or application and shall continue undismissed for a period of sixty (60) days; (iii) authorize or file a voluntary petition in bankruptcy or apply for or consent to the application of any bankruptcy, reorganization in bankruptcy, arrangement, readjustment of debt, insolvency, dissolution, moratorium or other similar law of any jurisdiction, or authorize such application or consent; or proceedings to such end shall be instituted against it without such authorization, application or consent and such proceeding instituted against it shall continue undismissed for a period of sixty (60) days;
- (g) Lessee or any guarantor, shall suffer an adverse change in its financial condition after the date hereof as determined by Lessor in its sole discretion, or there shall occur a substantial change in ownership of the outstanding stock of Lessee or a substantial change in control of its board of directors;
- (h) Lessee shall be in default under any other Schedule or agreement executed with Lessor; or shall fail to sign or otherwise authenticate and deliver to Lessor any document or record requested by Lessor in connection with any Lease or shall fail to do any thing determined by Lessor to be necessary or desirable to effectuate the transaction contemplated by the Lease or to protect Lessor's rights and interests in the Lease and Property; or shall fail to provide financial statements to Lessor as provided in Section 19(h) hereof, or if Lessee is in default of any agreement with any party other than Lessor;
- (i) Lessee breaches any License, maintenance or other agreement for Software or fails to pay when due all servicing fees, maintenance fees, update and upgrade costs, modification costs, and all other costs and expenses relating to the License and Software and fails to maintain the License in effect during the term of the Lease;

(j) Lessee fails to promptly execute or otherwise authenticate and deliver to Lessor or its assigns any document or record, as applicable, required under the terms of this Master Lease Agreement;

(k) Lessee shall have terminated or changed its corporate existence, consolidated with, merged into, or conveyed or leased substantially all of its assets to any person or entity, unless: (i) such person or entity executes and delivers to Lessor an agreement satisfactory in form and substance to Lessor, in its sole discretion, containing such person's or entity's effective assumption, and its agreement to pay, perform, comply with and otherwise be liable for, in a due and punctual manner, all of Lessee's obligations having previously arisen, or then or thereafter arising, under the Lease, together with any and all documents, agreements, instruments, certificates, opinions and filings requested by Lessor; (ii) Lessor is satisfied as to the creditworthiness of such person's or entity's conformance to other standard criteria then used by Lessor for such purposes; and (iii) Lessee has provided no less than thirty (30) days prior written notice of such occurrence to Lessor or its assigns.

(l) Lessor in good faith believes the Property to be in danger of misuse, abuse or confiscation or to be in any other way threatened, or believes in good faith for any other reason that the prospect of payment or performance has become impaired, or if Lessee takes any action, makes any representation, or fails to do any thing requested by Lessor, at any time before or after the execution of this Master Lease Agreement, the result of which causes Lessor, in good faith, to believe that the prospect of Lessee's payment or performance under the Lease is impaired, or otherwise causes Lessor to feel insecure in funding or continuing to fund the Lease or any Schedule.

16. REMEDIES:

Upon the occurrence of any Event of Default and at any time thereafter, Lessor may, with or without giving notice to Lessee and with or without canceling the Lease, do any one or more of the following:

- (a) enforce this Master Lease Agreement according to its terms;
- (b) advance funds on Lessee's behalf to cure the Event of Default, whereupon Lessee shall immediately reimburse Lessor therefore, together with late charges accrued thereon;
- (c) refuse to deliver the Property to Lessee;
- (d) upon notice to Lessee, refuse to fund any schedule(s) pursuant to the Lease;
- (e) upon notice to Lessee, cancel this Master Lease Agreement and any or all Schedules executed pursuant thereto;
- (f) require additional collateral to secure the Lease;
- (g) declare any Lease or Leases immediately due and payable;
- (h) if Lessor determines, in its sole discretion, not to take possession of the Property, Lessor shall continue to be the owner of the Property and may, but is not obligated to, dispose of the Property by sale or otherwise, all of which determinations may be made by Lessor in its sole discretion and for its own account;
- (i) declare immediately due and payable all amounts due or to become due hereunder for the full term of the Lease (including any renewal or purchase options which Lessee has contracted to pay);
- (j) with or without terminating the Lease, recover the Casualty Loss Value of the Property as of the rent payment date immediately preceding the date of default together with all costs and expenses incurred by Lessor in the repossession, recovery, storage, repair, sale, re-lease or other disposition of the Property, including without limitation, reasonable attorney fees and costs incurred in connection therewith or otherwise resulting or arising from Lessee's default, and any indemnity if then determinable, plus interest on all of the above until paid (before and after judgment) at the lesser of the rate of eighteen percent (18%) per annum or the highest rate permitted by law;
- (k) without notice to Lessee, repossess the Property wherever found, with or without legal process, and for this purpose Lessor and/or its agents or assigns may enter upon any premises of or under the control or jurisdiction of Lessee or any agent of Lessee, without liability for suit, action or other proceeding by Lessee (any damages occasioned by such repossession

being hereby expressly waived by Lessee) and remove the Property therefrom; Lessee further agrees on demand, to assemble the Property and make it available to Lessor at a place to be designated by Lessor;

(l) in its sole discretion, sell, re-lease or otherwise dispose of any or all of the Property securing such Schedule, whether or not in Lessor's possession, in a commercially reasonable manner at public or private sale with notice to Lessee (the parties agreeing that ten (10) days' prior written notice shall constitute adequate notice of such sale), and apply the net proceeds of any such disposition, after deducting all Property costs incurred by Lessor in connection with such default to the obligations of Lessee hereunder and under such Schedule, or proposed to retain any or all of the Property in full or partial satisfaction, as the case may be, with Lessee remaining liable for any deficiency. The sale, re-lease, or other disposition may, at Lessor's sole option, be conducted at Lessee's premises. Lessor may at its sole discretion recover from Lessee liquidated damages for the loss of a bargain and not as a penalty an amount equal to the Lessor's damages;

(m) if Lessee breaches any of its obligations under Section 7(d) of this Master Lease Agreement with regard to Software, Lessee shall be liable to Lessor for additional damages in an amount equal to the original price paid by Lessor for the Software, and in addition, at Lessor's option, Lessor shall be entitled to injunctive relief;

(n) exercise any other right or remedy which may be available to it under the Uniform Commercial Code or any other applicable law;

(o) a cancellation hereunder shall occur only upon notice by Lessor and only as to such items of Property as Lessor specifically elects to cancel and this Lease shall continue in full force and effect as to the remaining items, if any;

(p) (i) by notice to Lessee, declare any license agreement with respect to Software terminated, in which event the right and license of Lessee to use the Software shall immediately terminate, and Lessee shall thereupon cease all use of the Software and return all copies thereof to Lessor or original licensor; (ii) have access to and disable the Software by any means deemed necessary by Lessor, for which purposes Lessee hereby expressly consents to such access and disablement, promises to take no action that would prevent or interfere with Lessor's ability to perform such access and disablement, and waives and releases any and all claims that it has or might otherwise have for any and all losses, damages, expenses, or other detriment that it might suffer as a result of such access and disablement; and (iii) Lessee agrees that the detriment which Lessor will suffer as a result of a breach by Lessee of the obligations contained in the Lease cannot be adequately compensated by monetary damages, and therefore Lessor shall be entitled to injunctive and other equitable relief to enforce the provisions of this paragraph 16(p). LESSEE AGREES THAT LESSOR SHALL HAVE NO DUTY TO MITIGATE LESSOR'S DAMAGES UNDER ANY LEASE BY TAKING LEGAL ACTION TO RECOVER THE SOFTWARE FROM LESSEE OR ANY THIRD PARTY, OR TO DISPOSE OF THE SOFTWARE BY SALE, RE-LEASE OR OTHERWISE.

(q) With respect to any exercise by Lessor of its right to recover and/or dispose of any Property securing Lessee's obligations under any Schedule, Lessee acknowledges and agrees as follows: (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the Property for disposition; (ii) Lessor may comply with any applicable State or Federal law requirements in connection with any disposition of the Property, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition of such Property; (iii) Lessor may specifically disclaim any warranties of title or the like with respect to the disposition of the Property; (iv) if Lessor purchases any of the Property, Lessor may pay for the same by crediting some or all of Lessee's obligations hereunder or under any Schedule; and (v) no right or remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and shall be in addition to any other remedy referred to above or otherwise available at law or in equity, and may be exercised concurrently or separately from time to time.

Lessor may exercise any and all rights and remedies available at law or in equity, including those available under the Uniform Commercial Code. The rights and remedies afforded Lessor hereunder shall not be deemed to be exclusive, but shall be in addition to any rights or remedies provided by law. Lessor's failure promptly to enforce any right or remedy hereunder shall not operate as a waiver of such right or remedy, and Lessor's waiver of any default shall not constitute a waiver of any subsequent or other default. Lessor may accept late payments or partial payments of amounts due under the Lease and may delay enforcing any of Lessor's rights or remedies hereunder without losing or waiving any of Lessor's rights or remedies under the Lease.

17. LESSEE'S REPRESENTATIONS AND WARRANTIES:

Lessee represents and warrants as follows:

(a) If Lessee is a corporation, that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation, that it is duly qualified to do business in each jurisdiction where any Property is, or is to be located, and has full corporate power and authority to hold property under lease and to enter into and perform its obligations under any Lease; that the execution, delivery and performance by Lessee of any Lease has been duly authorized by all necessary corporate action on the part of Lessee, and is not inconsistent with its articles of incorporation or by-laws or other governing instruments;

(b) If Lessee is a partnership, that it is duly organized by written partnership agreement and validly existing in accordance with the laws of the jurisdiction of its organization, that it is duly qualified to do business in each jurisdiction where the Property is, or is to be located, and has full power and authority to hold property under lease and to enter into and perform its obligations under any Lease; that the execution, delivery and performance by Lessee of any Lease has been duly authorized by all necessary action on the part of the Lessee, and is not inconsistent with its partnership agreement or other governing instruments. Upon request, Lessee will deliver to Lessor certified copies of its partnership agreement and other governing instruments and original certificate of partners and other instruments deemed necessary or desirable by Lessor. To the extent required by applicable law, Lessee has filed and published its fictitious business name certificate;

(c) The execution, delivery and performance by Lessee of any Lease does not violate any law or governmental rule, regulation, or order applicable to Lessee, does not and will not contravene any provision, or constitute a default under any indenture, mortgage, contract, or other instrument to which it is bound and, upon execution and delivery of each Lease, will constitute a legal, valid and binding agreement of Lessee, enforceable in accordance with its terms;

(d) No action, including any permits or consents, in respect of or by any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by Lessee of any Lease;

(e) (i) Lessee's state of organization is the state listed in the introductory paragraph of this Lease; (ii) Lessee's chief executive office is located in the state listed in the introductory paragraph of this Lease; (iii) Lessee is the legal entity or organization indicated in the introductory paragraph of this Lease, which organization is duly organized, validly existing and in good standing under the laws of the state listed in the introductory paragraph of this Lease; and (iv) Lessee's full and exact legal name is the same as listed in the introductory paragraph of this Lease.

18. LESSEE'S WAIVERS:

To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Sections 70A-2A-508 through 70A-2A-522 of the Utah Uniform Commercial Code, including but not limited to Lessee's rights to: (i) cancel the Lease; (ii) repudiate the Lease; (iii) reject the Property; (iv) revoke acceptance of the Property; (v) recover damages from Lessor for any breaches of warranty or for any other reason; (vi) claim, grant or permit a security interest in the Property in Lessee's possession or control for any reason; (vii) deduct all or any part of any claimed damages resulting from Lessor's default, if any, under the Lease; (viii) cover by making any purchase or lease of or contract to purchase or lease property in substitution for the Property due from Lessor; (ix) recover any general, special, incidental or consequential damages, for any reason whatsoever; and (x) commence legal action against Lessor for specific performance, replevin, detinue, sequestration, claim and delivery or the like for any Property identified in the Lease. To the extent permitted by applicable law, Lessee also hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Property in mitigation of Lessor's Damages as set forth in Section 16 hereof or which may otherwise limit or modify any of Lessor's rights or remedies in that section.

19. GENERAL:

(a) Entire Agreement. Each Schedule shall incorporate the terms and conditions of this Master Lease Agreement and, together with the Acceptance Certificate and Master Progress Funding Agreement (and Authorizations thereunder), if applicable, and any amendments to any of the foregoing documents, shall supersede all prior communications, representations, agreements, and understandings, including but not limited to offer letters, proposal letters, comfort letters, commitment letters and the like, and constitute the entire understanding and agreement between the Lessor and Lessee with regard to the subject matter hereof and thereof, and there is no understanding or agreement, oral or written, which is not set forth herein or therein.

(b) Time Is of the Essence; Provisions Severable. Time is of the essence with respect to any Lease. The provisions contained in any agreement shall be deemed to be independent and severable. The invalidity or partial invalidity of any one provision or portion of the Lease under the laws of any jurisdiction shall not affect the validity or enforceability of any other provisions of the Lease. The captions and headings set forth herein are for convenience of reference only and shall not define or limit any of the terms hereof.

(c) Notices. Notices or demands required to be given herein shall be in writing and addressed to the other party at the address herein or such other address provided by written notice hereunder and shall be effective (i) upon the next business day if sent by guaranteed overnight express service (such as Federal Express); (ii) on the same day if personally delivered; or (iii) three days after mailing if sent by certified or registered U.S. mail, postage prepaid.

(d) Governing Law; Waiver of Trial by Jury. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. LESSEE AGREES TO SUBMIT TO THE JURISDICTION OF THE STATE AND/OR FEDERAL COURTS IN THE STATE OF UTAH IN ALL MATTERS RELATING TO THE LEASE, THE PROPERTY AND THE CONDUCT OF THE RELATIONSHIP BETWEEN LESSOR AND LESSEE. THIS LEASE WAS EXECUTED IN THE STATE OF UTAH (BY THE LESSOR HAVING COUNTERSIGNED IT IN UTAH) AND IS TO BE PERFORMED IN THE STATE OF UTAH (BY REASON OF ONE OR MORE PAYMENTS REQUIRED TO BE MADE TO LESSOR IN UTAH). LESSOR AND LESSEE HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THE LEASE OR PROPERTY OR THE CONDUCT OF THE RELATIONSHIP BETWEEN LESSOR AND LESSEE.

(e) Binding Effect; Survivability. The provisions of each Lease shall inure to the benefit of and shall bind Lessor and Lessee and their respective permitted successors and assigns. All representations, warranties, covenants and indemnities of Lessee made or agreed to in the Lease or in any certificates delivered in connection therewith shall survive the expiration, termination or cancellation of the Lease for any reason.

(f) Acceptance Certificate. If Lessee fails to sign and deliver an Acceptance Certificate, then except as otherwise provided in Section 6(a) hereof, the Acceptance Date shall be a date determined by Lessor which shall be no sooner than the date Lessee receives substantially all of the Property.

(g) Lessee's Options at End of Initial Period. At the end of the Initial Period of any Lease, Lessee shall, provided at least one-hundred-eighty (180) days prior written notice is received by Lessor from Lessee via certified mail, do one of the following: (1) purchase the Property for a price to be determined by Lessor and Lessee, (2) extend the Lease for twelve (12) additional months at the rate specified on the respective Schedule, or (3) return the Property to Lessor at Lessee's expense to a destination within the continental United States specified by Lessor and terminate the Schedule; provided, however, that for option (3) to apply, all accrued but unpaid late charges, interest, taxes, penalties, and any and all other sums due and owing under the Schedule must first be paid in full, the provisions of Sections 6(c) and (d) and 7(c) hereof must be specifically complied with, and Lessee must enter into a new Schedule with Lessor to lease Property which replaces the Property listed on the old Schedule. With respect to options (1) and (3), each party shall have the right in its absolute and sole discretion to accept or reject any terms of purchase or of any new Schedule, as applicable. In the event Lessor and Lessee have not agreed to either option (1) or (3) by the end of the Initial Period or if Lessee fails to give written notice of its option via certified mail at least one-hundred-eighty (180) days prior to the termination of the Initial Period, then option (2) shall apply at the end of the Initial Period. At the end of the extension period provided for in option (2) above, the Lease shall continue in effect at the rate specified in the respective Schedule for successive periods of six (6) months each subject to termination at the end of any such successive six-month renewal period by either Lessor or Lessee giving to the other party at least ninety (90) days prior written notice of termination.

(h) Financial Statements. Lessee, and any guarantor, shall provide to Lessor a copy of its annual audited financial statements within ninety (90) days after its fiscal year end, and a copy of its quarterly unaudited financial statements within forty-five (45) days after the end of each fiscal quarter.

(i) Security Interest. The parties acknowledge and agree that this is a "true lease" and title to the leased equipment is vested in the Lessor. In the event a court of competent jurisdiction or other governing authority shall determine that the Lease is not a "true lease" or is a lease intended as security or that Lessor (or its assigns) does not hold legal title to or is not the owner of the Property, the following shall apply:

(1) Effective the execution date of the Lease, Lessee, as debtor, grants a security interest to Lessor, as secured party, in the Property, including the equipment and other personal property, general intangibles, and accessions to and proceeds of any of the foregoing, to secure all duties and obligations of Lessee under any Lease or other agreement with Lessor. The Lease shall be deemed to be a security agreement with Lessee having granted to Lessor a security interest in the Property, and the Property shall secure all duties and obligations of Lessee under any Lease or other agreement with Lessor. With regard to any security interest created hereunder in any of the Property, Lessee consents and agrees that Lessor shall have all of the rights, privileges and remedies of a secured party under the Utah Uniform Commercial Code.

(2) Lessee authorizes Lessor to file financing statements and any records describing the Property and to take any and all actions necessary to perfect Lessor's interest in the Property. Lessee agrees to execute any further documents, and to take any further actions, reasonably requested by Lessor to evidence or perfect the security interest granted under this subpart of the Lease, to maintain the first priority of the security interests, or to effectuate the rights granted to Lessor under this subpart of the Lease.

(j) Change in Lessee's Name, Address and Jurisdiction. Lessee shall not change its name, chief executive office address, or jurisdiction of organization from that set forth above, unless it shall have given Lessor or its assigns no less than thirty (30) days prior written notice.

(k) Covenant of Quiet Possession. Lessor agrees that so long as no Event of Default has occurred and is continuing, Lessee shall be entitled to quietly possess the Property subject to and in accordance with the terms and conditions of this Master Lease Agreement.

(l) Lessor's Right to Perform for Lessee. If Lessee fails to perform or comply with any of its agreements contained herein, Lessor may perform or comply with such agreements and the amount of any payments and expenses of Lessor incurred in connection with such performance or compliance (including attorney fees), together with interest thereon at the lesser of the rate of eighteen percent (18%) per annum, or the highest rate permitted by law shall be deemed additional rent payable by Lessee upon demand.

(m) Further Assurances; Financing Statements. Lessee will cooperate with Lessor in protecting Lessor's interests in the Property, the Lease and the amounts due under the Lease, including, without limitation, the execution (or other authentication), and delivery of Uniform Commercial Code statements, records and filings, patent and copyright registration documents with respect to proprietary Software (if applicable), and other documents requested by Lessor. Lessee will promptly execute, or otherwise authenticate, and deliver to Lessor such further documents, instruments, assurances and other records, and take such further action as Lessor may reasonably request in order to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor under this Lease. Lessee hereby authorizes Lessor to file UCC-1 financing statements, fixture filings, real property waivers, and all other filings and recordings, as may be deemed necessary by Lessor. Lessee hereby authorizes and/or ratifies the filing of any UCC-1 financing statements by Lessor before or after the execution of this Lease. Lessee shall pay all costs of filing any financing, continuation or termination statements with respect to the Property and Lease, including without limitation, any intangibles tax, documentary stamp tax or other similar taxes or charges relating thereto and all costs of UCC or other lien searches and of obtaining and filing any full or partial third-party releases deemed necessary or advisable by Lessor. Lessee will do whatever may be necessary or advisable to have a statement of the interest of Lessor in the Property noted on any certificate of title relating to the Property and will deposit said certificate with Lessor. Lessee will execute, or otherwise authenticate, and deliver to Lessor such other documents, records and written assurances and take such further action as Lessor may request to more fully carry out the implementation, effectuation, confirmation and perfection of the Lease and any rights of Lessor thereunder. Lessee grants to Lessor a security interest in all deposits and other property transferred or pledged to Lessor to secure the payment and performance of all of Lessee's obligations under the Lease. Lessor is authorized to take any measures necessary to protect its interest in the Property.

In the event the Property is in the possession of a third party, Lessee will join with Lessor in notifying the third party of Lessor's interest in the Property and obtaining an acknowledgment from the third party that the third party is holding the Property for the benefit of Lessor.

(n) Attorney Fees. Lessee shall reimburse Lessor for all charges, costs, expenses and attorney fees incurred by Lessor: (i) in preparation of Lease documentation; (ii) in defending or protecting its interest in the Property; (iii) in the execution, delivery, administration, amendment and enforcement of the Lease or the collection of any rent or other payments due under the Lease, or the preparation of any amendments or settlement agreements prepared in connection with the Lease;

and (iv) in any lawsuit or other legal or arbitration/mediation proceeding to which the Lease gives rise, including without limitation, actions in tort.

(o) Amendment and Modification. The Lease may not be amended or modified except by a written amendment signed by a duly authorized representative of each party, but no such amendment or modification needs further consideration to be binding. Notwithstanding the foregoing, Lessee authorizes Lessor to amend any Schedule to identify more accurately the Property (including, without limitation, supplying serial numbers or other identifying data), and such amendment shall be binding on Lessor and Lessee unless Lessee objects thereto in writing within ten 10 days after receiving notice of the amendment from Lessor.

(p) Joint and Several Liability. In the event two or more parties execute this Master Lease Agreement as Lessee, each party shall be jointly and severally liable for all Lessee representations, warranties, and obligations (including without limitation, payment obligations) under this Master Lease Agreement or under any Schedule or other document executed in connection herewith.

(q) Unauthorized Distribution of Lease Documents Prohibited. Lessee agrees that it will not, through any of its actions or omissions, cause any document, or any portion of any document, associated with any Lease to be delivered, disseminated, or otherwise fall into the possession of anyone not employed by Lessee on a full time basis, without the written consent of Lessor. Lessee further acknowledges that any such unauthorized delivery or dissemination could cause Lessor to suffer irreparable economic harm.

(r) Counterparts; Chattel Paper. This Lease may be executed in any number of counterparts and by different parties hereto or thereto on separate counterparts, each of which, when so executed or otherwise authenticated and delivered, shall be an original, but all such counterparts shall together consist of but one and the same instrument; provided, however, that to the extent that this Lease and/or the Schedule(s) would constitute chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest herein or therein may be created or perfected through the transfer or possession of this Lease in and of itself without the transfer or possession or control, as applicable, of the original counterpart of such Schedule(s) identified as the document or record (as applicable) marked "Original", and all other counterparts shall be marked "Duplicate Original" or "Counterpart".

20. ASSIGNMENT BY LESSEE:

LESSEE MAY NOT ASSIGN ANY LEASE OR ANY OF ITS RIGHTS HEREUNDER OR SUBLEASE THE PROPERTY WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. NO PERMITTED ASSIGNMENT OR SUBLEASE SHALL RELIEVE LESSEE OF ANY OF ITS OBLIGATIONS HEREUNDER.

Subject to the terms of this Lease, this Lease and each Schedule inure to the benefit of, and are binding upon, the successors and assigns of Lessee, and, without limiting the foregoing, shall bind all persons who become bound as a "new debtor" (as defined in the Uniform Commercial Code) to this Lease and any Schedule.

21. POWER OF ATTORNEY.

LESSEE HEREBY AUTHORIZES AND APPOINTS LESSOR AND LESSOR'S AGENTS AND ASSIGNS AS LESSEE'S ATTORNEY-IN-FACT TO EXECUTE ACKNOWLEDGEMENT LETTERS AND OTHER DOCUMENTS REQUIRED TO BE EXECUTED BY LESSEE TO EFFECT ANY UNDERWRITING OR PERFECT ANY SECURITY INTEREST WITH REGARD TO A SCHEDULE.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Master Lease Agreement on the month, day and year first above written.

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thompson, Jr.

TITLE: EvP & CEO

EXHIBIT "A"

to Master Lease Agreement No. AFI0367 dated October 2, 2003

DEFINITIONS

Those capitalized terms not defined herein are defined in the Schedule.

"Property"	Equipment and other property, together with all related software whether embedded therein or otherwise and with all attachments, replacements, parts, substitutions, additions, repairs, accessions and accessories, incorporated therein and/or affixed thereto described in any Schedule executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement.
"Schedule"	Any Lease Schedule to be executed and delivered by Lessor and Lessee in connection with this Master Lease Agreement, which Schedule describes the leased Property, rental payment, cost of property, lease rate factor, and other data applicable to the Schedule.
"Acceptance Certificate"	Any Acceptance Certificate signed by the Lessee in connection with a Schedule and this Master Lease Agreement.
"Master Progress Funding Agreement"	An agreement under which (i) Lessee accepts items of Property by signing an Authorization, (ii) Lessor agrees to purchase said items of Property, and (iii) Lessee agrees to pay service charges, all prior to the Acceptance Date of the Schedule.
"Lease"	A Schedule, incorporating the terms of this Master Lease Agreement, together with the related Master Progress Funding Agreement, if any, Casualty Loss Schedule, Acceptance Certificate, UCC financing statements and all other supporting documentation related thereto.
"Acceptance Date"	Except as otherwise provided in Section 6(a) of the Master Lease Agreement, Acceptance Date means, as to the Property designated on any Schedule, the date Lessee accepts the Property as set forth in any Acceptance Certificate signed by the Lessee which is acceptable to Lessor.
"Commencement Date"	As to the Property designated on any Schedule, where the Acceptance Date for such Schedule falls on the first day of a calendar quarter, that date, and, in any other case, the first day of the calendar quarter following the calendar quarter in which such Acceptance Date falls.
"Software"	Software means any computer program, whether or not embedded in goods, and any supporting information provided in connection with this Master Lease Agreement and/or any Schedule relating to the program, including all documentation, later versions, updates, upgrades and modifications.
"License"	License entered into with the owner/vendor/licensor of the Software.
"Recertification"	The process of obtaining maintenance certificates or qualification letters which are necessary for the manufacturer to accept the Property under contract maintenance at its then standard rates.

"Lessor's Assignee"

An entity to which Lessor has assigned or transferred its rights and interests in the Lease or Property, either partially, outright or as security for any loan to Lessor.

"Underwriting"

Lessor's assignment or transfer of its rights and interests in the Lease and Property to Lessor's Assignee.

"Casualty Loss Schedule"

Schedule of Casualty Loss Values relating to a specific Schedule under this Master Lease Agreement.

"Lessor's Damages"

Casualty Loss Value together with costs, expenses, attorney's fees, interest, and any determinable indemnity owed by Lessee to Lessor.

EXHIBIT B
CASUALTY LOSS SCHEDULE
DATED JANUARY 6, 2004
TO
LEASE SCHEDULE NO. 001
DATED OCTOBER 2, 2003, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367

ORIGINAL

Upon execution below by the Lessee and Lessor, this Casualty Loss Schedule shall replace and supercede the original Casualty Loss Schedule previously executed, which shall from and after the date hereof become null and void.

In the event of default under the Lease, Lessor may, in addition to all other remedies available to it under the Lease, recover the dollar amount listed under the Total Casualty Value as of the Monthly Rental payment date immediately preceding the date of the default, or in the event of a default under the Master Progress Funding Agreement, Lessee may recover the dollar amount listed under the Total Casualty Loss Value corresponding to payment number "0".

AFTER PAYMENT NUMBER	TOTAL CASUALTY LOSS VALUE	CASUALTY LOSS PERCENTAGE	AFTER PAYMENT NUMBER	TOTAL CASUALTY LOSS VALUE	CASUALTY LOSS PERCENTAGE
0	\$1,778,803	130.00%	31	\$1,217,552	88.98%
1	\$1,772,282	129.52%	32	\$1,194,848	87.32%
2	\$1,753,234	128.13%	33	\$1,172,115	85.66%
3	\$1,734,131	126.74%	34	\$1,149,354	84.00%
4	\$1,714,972	125.33%	35	\$1,126,563	82.33%
5	\$1,695,756	123.93%	36	\$1,103,744	80.66%
6	\$1,700,649	124.29%	37	\$1,080,896	78.99%
7	\$1,680,683	122.83%	38	\$1,058,019	77.32%
8	\$1,660,666	121.37%	39	\$1,042,088	76.16%
9	\$1,640,599	119.90%	40	\$1,018,727	74.45%
10	\$1,620,482	118.43%	41	\$995,347	72.74%
11	\$1,600,314	116.96%	42	\$971,947	71.03%
12	\$1,580,095	115.48%	43	\$948,527	69.32%
13	\$1,559,826	114.00%	44	\$930,059	67.97%
14	\$1,559,066	113.94%	45	\$906,216	66.23%
15	\$1,538,094	112.41%	46	\$882,362	64.49%
16	\$1,517,077	110.87%	47	\$858,498	62.74%
17	\$1,496,017	109.33%	48	\$834,624	61.00%
18	\$1,474,913	107.79%	49	\$813,907	59.48%
19	\$1,453,764	106.25%	50	\$789,674	57.71%
20	\$1,432,570	104.70%	51	\$765,441	55.94%
21	\$1,427,064	104.29%	52	\$741,207	54.17%
22	\$1,405,220	102.70%	53	\$718,855	52.54%
23	\$1,383,339	101.10%	54	\$694,322	50.74%
24	\$1,361,421	99.50%	55	\$669,797	48.95%
25	\$1,339,467	97.89%	56	\$645,283	47.16%
26	\$1,317,475	96.28%	57	\$620,064	45.32%
27	\$1,295,447	94.67%	58	\$595,817	43.54%
28	\$1,273,381	93.06%	59	\$571,571	41.77%
29	\$1,262,874	92.29%	60	\$547,324	40.00%
30	\$1,240,227	90.64%	and thereafter		

LESSOR:

APPLIED FINANCIAL, LLC

BY: Sherrill Cooper

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Phynan, III

TITLE: VP & CFO

ORIGINAL

**LEASE SCHEDULE NO. 001
TO
MASTER LEASE AGREEMENT NO. AFI0367**

This Schedule No. 001 dated October 2, 2003 (the "Schedule") between **APPLIED FINANCIAL, LLC** (the "Lessor") and **MERCHANTS AND FARMERS BANK** (the "Lessee") incorporates by reference the terms and conditions of Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), Exhibit A (the "Property Description") and Exhibit B (the "Casualty Loss Schedule"), and constitutes a separate "Lease" between Lessor and Lessee. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Master Lease.

1. **Property:** Core Processing System: UNISYS CS7200, EMC Clarion Storage Area Network with software, installation and pre-paid maintenance to be more fully described on an Exhibit A, together with all other Property hereafter purchased or paid for by Lessor pursuant to that Master Progress Funding Agreement dated October 2, 2003, between Lessor and Lessee, which relates to the Schedule between Lessor and Lessee, (including without limitation, all authorizations signed in connection with said Master Progress Funding Agreement which relate to the Schedule), and any and all additions, enhancements and replacements thereto. Software shall not exceed 53% of the Total Cost and Soft Costs shall not exceed 32% of the Total Cost. Lessee's breach of this provision shall constitute an Event of Default under this Schedule.

The Property subject to this Schedule shall be more fully and completely described in an Acceptance Certificate which shall later be executed by Lessee in connection with this Schedule. Upon Lessee's execution thereof, this Schedule shall be automatically amended to include herein as property leased hereunder all Property described in said Acceptance Certificate.

2. **Property Location:** 134 W. Washington Street, Kosciusko, MS 39090. Upon Lessee's later execution of an Acceptance Certificate in connection with this Schedule, this Schedule shall be automatically amended to include the additional locations, if any, specified in said Acceptance Certificate.
3. **Acceptance Date:** As specified in the Acceptance Certificate
4. **Initial Period:** Sixty (60) months starting on the Commencement Date
5. **Monthly Rental:** \$25,246.59, plus applicable sales tax
6. **Deposit:** \$25,246.59 applied to the last Monthly Rental, plus applicable sales tax
7. **Total Cost Not To Exceed:** \$1,424,751.00
8. **Lease Rate Factor:** .01772
9. **Floating Lease Rate Factor:** The Lease Rate Factor of .01772 shall increase .000069966 for every five (05) basis point increase in sixty (60) month U.S. Treasury Notes as of the Acceptance Date of the Property (the "Revised Lease Rate Factor"), at which time the Monthly Rental under this Schedule shall be adjusted by multiplying the Total Cost, indicated in Section 7, by the Revised Lease Rate Factor. The sixty (60) month U.S. Treasury Note yield used as the basis for the derivation of the Revised Lease Rate Factor herein is 3.10%.

10. Representation of Lessee: Lessor and Lessee agree that this Schedule constitutes a "finance lease" under the Uniform Commercial Code – Article 2A, in that (a) Lessee has selected the Property in its sole discretion, (b) Lessor has acquired the Property solely for purposes of leasing such Property under this Schedule, and (c) Lessee has received a copy of the contract evidencing Lessor's purchase of the Property.

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thayer, III

TITLE: EvP & CPO

ORIGINAL

ORIGINAL

AMENDMENT NO. 1
TO
LEASE SCHEDULE NO. 001
TO
MASTER LEASE AGREEMENT NO. AFI0367

Reference is made to Lease Schedule No. 001 dated October 2, 2003, (the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule shall be amended effective the date hereof by adding Section 11 as follows:

Section 11. Pre-paid Maintenance: Lessee acknowledges that (i) Lessor is not the maintenance provider for the maintenance which has been pre-paid under this Schedule, (ii) the maintenance provider has been selected solely by Lessee, and (iii) neither Lessor nor its assigns are liable for the performance or satisfaction of the maintenance to be performed. Should the performance of said maintenance be unsatisfactory for any reason, Lessee agrees to make any claim on account thereof solely against the maintenance provider, and notwithstanding such unsatisfactory maintenance performance, Lessee agrees to pay all sums payable under the Lease, and waives the right to make any such claims against Lessor or its assigns. Lessee acknowledges and agrees that payment under the Lease is absolute, unconditional and is not subject to Lessor or its assigns performing or arranging for the performance of said maintenance. Lessee acknowledges that it has arranged for the amount and time of said maintenance service in its sole discretion, and that the cost of said service is being financed by the Lessor. Lessee further acknowledges that the Lessor and its assigns will not be a party to any dispute in regards to any maintenance issues whatsoever.

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: November 21, 2003

LESSOR:

APPLIED FINANCIAL, LLC

BY: *Sherrice Cooper*

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: *Robert C. Thompson, III*

TITLE: *FVP & CFO*

ORIGINAL

AMENDMENT NO. 2
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule as originally signed was based upon a Total Cost Not to Exceed \$1,424,751.00. The revised Total Cost as of the date hereof for the items of Property listed on the attached Exhibit A is \$1,368,310.36. Based upon the decreased Property cost, and a more specific description and location of the Property, the Schedule is hereby amended effective the date hereof by deleting Sections 1, 2, 5, 6 and 7 of the Schedule and replacing them with the following:

Section 1. Property: Core Processing System: UNISYS CS7200, EMC Clarion Storage Area Network with software, installation and pre-paid maintenance as more fully described on the attached Exhibit A of two (2) pages, which by this reference is made a part hereof.

Section 2. Property Location: 134 W. Washington Street, Kosciusko, MS 39090

Section 5. Monthly Rental: \$24,246.46, plus applicable sales tax

Section 6. Deposit: \$24,246.46 applied to the last Monthly Rental, plus applicable sales tax

Section 7. Total Cost: \$1,368,310.36

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: January 6, 2004

LESSOR:

LESSEE:

APPLIED FINANCIAL, LLC

MERCHANTS AND FARMERS BANK

BY: Sherie Copie

BY: Robert C. Zimmerman, III

TITLE: Vice President

TITLE: EVP & CFO

EXHIBIT A

Merchants and Farmers Bank

ML No.: AF10367

Lease Schedule No.: 001

Location: 134 W. Washington Street, Kosciusko, MS 39090

\$1,368,310.36 \$1,368,310.36

\$1,368,310.36 \$1,368,310.36

VENDOR	INVOICE NO.	QTY	DESCRIPTION	SERIAL #	PER UNIT	UNIT TOTAL	INVOICE TOTAL
Information Technology Inc.	196291	1	Cable 12ft extension		\$45.54	\$45.54	
Information Technology Inc.	196291	1	Dls w/2 sub-dib		\$0.00	\$2,667.63	
Information Technology Inc.	196291	1	SCSI wide narrow 2		\$0.00	\$80.68	
Information Technology Inc.	196291	1	80 ft scsi-3 cable		\$0.00	\$299.95	
Information Technology Inc.	196291	1	VHD68 to D14 68		\$0.00	\$68.32	
Information Technology Inc.	196291	2	Dual channel diff		\$0.00	\$1,431.41	
Information Technology Inc.	196291	2	External Ethernet		\$0.00	\$389.08	
Information Technology Inc.	196291	1	36U, 41 hrt clr cabinet		\$0.00	\$715.70	
Information Technology Inc.	196291	2	Gigabit Eth Cpr		\$0.00	\$325.32	
Information Technology Inc.	196291	1	Power line cord		\$0.00	\$0.65	
Information Technology Inc.	196291	1	1U keyboard shelf		\$0.00	\$910.90	
Information Technology Inc.	196291	1	1U lcd monitor		\$0.00	\$1,756.73	
Information Technology Inc.	196291	2	C20/NEMA L6-20P		\$0.00	\$117.12	
Information Technology Inc.	196291	2	Plug Power Strip		\$0.00	\$221.22	
Information Technology Inc.	196291	1	Clrpth, 19 36U app kit		\$0.00	\$992.23	
Information Technology Inc.	196291	1	1 Dom, 1-2 vnm/mcp no w2k		\$0.00	\$65,064.05	
Information Technology Inc.	196291	6	DSM IEC320 power Cord		\$0.00	\$50.75	
Information Technology Inc.	196291	1	Rack mount keyboard		\$0.00	\$227.72	
Information Technology Inc.	196291	2	EMC disk single 16pt 2gb		\$0.00	\$28,698.12	
Information Technology Inc.	196291	8	Cable FC10M shortwave		\$0.00	\$2,132.66	
Information Technology Inc.	196291	8	Cable FC 5M shortwave		\$0.00	\$1,845.68	
Information Technology Inc.	196291	2	Cable FC 2M shortwave		\$0.00	\$474.08	
Information Technology Inc.	196291	10	P64 ctrl fibre channel 2 66		\$0.00	\$14,771.09	
Information Technology Inc.	196291	45	2GF emc disk 36gb 10k drive		\$0.00	\$36,083.65	
Information Technology Inc.	196291	1	Cus emc disk clarion service		\$0.00	\$0.00	
Information Technology Inc.	196291	2	DAE emc disk dae 0 with rail		\$0.00	\$11,254.16	
Information Technology Inc.	196291	1	DPE emc disk filed install cx		\$0.00	\$39,037.87	
Information Technology Inc.	196291	4	P64 ctrl fibre glas LP8000 ES		\$0.00	\$6,471.14	
Information Technology Inc.	196291	1	ENW EMC SW ppath ent windows		\$0.00	\$9,900.00	
Information Technology Inc.	196291	1	T5 emc sw navisphere analyzer		\$0.00	\$9,900.00	
Information Technology Inc.	196291	1	T5 emc sw navisphere mgr nt		\$0.00	\$11,800.00	
Information Technology Inc.	196291	1	T5 emc sw cx400 access logic		\$0.00	\$20,000.00	
Information Technology Inc.	196291	1	CLV perf sw unisys call home		\$0.00	\$20.00	
Information Technology Inc.	196291	6	DEW emc sw path ent windows		\$0.00	\$21,000.00	
Information Technology Inc.	196291	1	T5 emc sw snapview tier 5		\$0.00	\$16,500.00	
Information Technology Inc.	196291	1	T5 emc sw san copy tier 5		\$0.00	\$22,700.00	
Information Technology Inc.	196291	7	Win emc sw navisphere agent		\$0.00	\$4,760.00	
Information Technology Inc.	196291	1	Wkt emc sw powerpath windows		\$0.00	\$0.00	
Information Technology Inc.	196291	1	LT O/S adv svr media/coa		\$0.00	\$2,700.05	
Information Technology Inc.	196291	1	CH call home service cs mcp		\$0.00	\$0.00	
Information Technology Inc.	196291	1	End IOE encryption opt US		\$0.00	\$0.00	
Information Technology Inc.	196291	1	CPI IOE companion package		\$0.00	\$0.00	
Information Technology Inc.	196291	1	ITO ssu sem cs7201-160K act		\$0.00	\$54,014.43	
Information Technology Inc.	196291	1	ITO cs7201 160K acts		\$0.00	\$216,057.71	
Information Technology Inc.	196291	1	Image enabler pl 7		\$0.00	\$362,596.81	
Information Technology Inc.	196291	2	Cable FC 50M shortwave		\$0.00	\$620.39	
Information Technology Inc.	196291	4	Cable FC 10M shortwave		\$0.00	\$1,055.08	
Information Technology Inc.	196291	2	EMC disk single 16pt 2gb		\$0.00	\$640.08	\$970,398.00
Unisys Corporation	70048138	1	Initial Billing of San Implementation		\$21,816.60	\$21,816.60	
Unisys Corporation	70048138	1	Initial Billing of CS7200 Implementation		\$15,600.00	\$15,600.00	\$37,416.60
Unisys Corporation	70050471	1	Completion Billing of San Implementation		\$14,544.40	\$14,544.40	
Unisys Corporation	70050471	1	Completion Billing of Cs7200 Implementation		\$10,400.00	\$10,400.00	
Unisys Corporation	70050471	1	Travel Expense Recovery, Ken Abel		\$1,052.60	\$1,052.60	
Unisys Corporation	70050471	1	travel Expense Recovery, Chris Bell		\$882.56	\$882.56	\$26,879.56
Unisys Corporation	80126712	1	1 Dom, 1-2 vnm/mcp no w2k	511460636	\$1,096.20	\$1,096.20	
Unisys Corporation	80126712	1	Clrpth, 19 36U app kit		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Gigabit Eth Cpr		\$0.00	\$0.00	
Unisys Corporation	80126712	1	36U, 41 hrt clr cabinet		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Rack mount keyboard		\$0.00	\$0.00	
Unisys Corporation	80126712	1	1U keyboard shelf		\$0.00	\$0.00	
Unisys Corporation	80126712	1	1U lcd monitor		\$0.00	\$0.00	
Unisys Corporation	80126712	2	ENA4034-100, External Ethernet		\$64.20	\$128.40	
Unisys Corporation	80126712	1	DIB w/2 sub-dib		\$50.40	\$50.40	

EXHIBIT A

Merchants and Farmers Bank

ML No.: AF10367

Lease Schedule No.: 001

Location: 134 W. Washington Street, Kosciusko, MS 39090

\$1,368,310.36 \$1,368,310.36

\$1,368,310.36 \$1,368,310.36

VENDOR	INVOICE NO.	QTY	DESCRIPTION	SERIAL #	PER UNIT	UNIT TOTAL	INVOICE TOTAL
Unisys Corporation	80126712	1	10/100mbps, 1 ch		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Fibre channel 2 66mhz		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Pod assy w/4 900mhz 2mb		\$856.80	\$856.80	
Unisys Corporation	80126712	4	Fibre gis lp8000 es7k		\$0.00	\$0.00	
Unisys Corporation	80126712	8	Fibre channel 2 66mhz		\$0.00	\$0.00	
Unisys Corporation	80126712	1	DS-16b2 lo-pro universal		\$0.00	\$0.00	
Unisys Corporation	80126712	1	DS-16b2 lo-pro universal		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Single 16 port 2gb		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Single 16 port 2gb		\$0.00	\$0.00	
Unisys Corporation	80126712	45	36gb, 10k drive		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Filed install cs400		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Dae 0 with rail kit		\$0.00	\$0.00	
Unisys Corporation	80126712	1	Clarion Service Mode		\$0.00	\$0.00	
Unisys Corporation	80126712	2	Dual channel diff		\$264.60	\$529.20	
Unisys Corporation	80126712	1	IOE cs7201 160k acts		\$68,100.00	\$68,100.00	
Unisys Corporation	80126712	1	Image enabler pl 7		\$80,580.00	\$80,580.00	
Unisys Corporation	80126712	1	Adv svr media/coa		\$5,580.00	\$5,580.00	
Unisys Corporation	80126712	1	Navisphere analyzer		\$7,440.00	\$7,440.00	
Unisys Corporation	80126712	1	Navisphere mgr nt/w2k		\$8,880.00	\$8,880.00	
Unisys Corporation	80126712	1	cx400 access logix		\$7,500.00	\$7,500.00	
Unisys Corporation	80126712	6	Ppath ent windows dep		\$2,640.00	\$15,840.00	
Unisys Corporation	80126712	1	Snapview tier 5		\$12,360.00	\$12,360.00	
Unisys Corporation	80126712	7	Navisphere agent nt		\$540.00	\$3,780.00	
Unisys Corporation	80126712	1	Ppath ent windows ent		\$7,440.00	\$7,440.00	
Unisys Corporation	80126712	1	San copy tier 5		\$17,040.00	\$17,040.00	
Unisys Corporation	80126712	1	1 Dom, 1-2 vm/mcp no w2k	111460636	\$33,616.80	\$33,616.80	
Unisys Corporation	80126712	2	ENA4034-100, External Ethernet		\$352.80	\$705.60	
Unisys Corporation	80126712	1	DIB w/2 sub-dib		\$1,411.20	\$1,411.20	
Unisys Corporation	80126712	1	Pod assy w/4 900mhz 2mb		\$26,056.80	\$26,056.80	
Unisys Corporation	80126712	2	Single 16 port 2gb		\$2,872.80	\$5,745.60	
Unisys Corporation	80126712	2	Dual channel diff		\$680.40	\$1,360.80	
Unisys Corporation	80126712	1	Field install cx400		\$11,667.60	\$11,667.60	
Unisys Corporation	80126712	2	Dae 0 with rail kit		\$1,688.40	\$3,376.80	
Unisys Corporation	80126712	45	36gb, 10k drive		\$277.20	\$12,474.00	\$333,616.20

AMENDMENT NO. 3
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 and Amendment No. 2 dated January 6, 2004 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), by and between APPLIED FINANCIAL, LLC (the "Lessor") and MERCHANTS AND FARMERS BANK (the "Lessee"). The Schedule as it incorporates the terms and conditions of the Master Lease is referred to herein as the "Lease". Pursuant to the Lease, Lessor has agreed to purchase and lease to Lessee property specified in the Lease. All capitalized terms used herein but not defined herein shall have the same meanings ascribed to them in the Lease.

The Schedule is hereby amended effective the date hereof by deleting Sections 5, 6 and 8 of the Schedule and replacing them with the following:

Section 5. Monthly Rental: \$24,514.65, plus applicable sales tax

Section 6. Deposit: \$24,514.65 applied to the last Monthly Rental, plus applicable sales tax

Section 8. Lease Rate Factor: .017916

All other terms and conditions of the Lease shall continue in full force and effect without change.

Dated: January 9, 2004

LESSOR:

LESSEE:

APPLIED FINANCIAL, LLC

MERCHANTS AND FARMERS BANK

BY: _____

BY: _____

TITLE: Vice President

TITLE: _____

MASTER PROGRESS FUNDING AGREEMENT

Reference is made to Master Lease Agreement No. AFI0367 dated October 2, 2003, ("Master Lease") between **MERCHANTS AND FARMERS BANK** ("Lessee") and **APPLIED FINANCIAL, LLC** ("Lessor"). Lessee and Lessor have agreed to enter into one or more Lease Schedules to the Master Lease (each Lease Schedule together with the Master Lease is referred to herein collectively as the "Lease" and is incorporated herein and made a part of this Agreement by this reference) pursuant to which Lessor will lease to Lessee certain items of Property listed on said Lease (the "Property"). All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Lease.

With regard to each Lease executed and delivered by Lessee, Lessee may request Lessor to purchase and pay for certain items of Property to be leased thereunder prior to the commencement of such Lease. Provided Lessee completes, executes and delivers to Lessor a Partial Acceptance and Authorization for Progress Payment Certificate ("Authorization") in form acceptable to Lessor, and such Authorization is consistent with all terms and conditions of this Agreement and the Lease, and Lessee is not in default of this Agreement or the Lease, Lessor agrees to make payments against the purchase price for such items of Property as directed by the Authorization. All such payments made by Lessor shall be referred to herein as "Progress Payment(s)".

Upon Lessor's payment of any Progress Payment hereunder, title to the items of Property paid by such Progress Payment shall vest in Lessor, and Lessee hereby sells and assigns its purchase orders and contracts and all of its right, title and interest to such items of Property to Lessor. From the date risk of loss passes from each vendor as to items of Property paid for by Lessor hereunder, Lessee shall bear all risk of loss, and Lessee shall assume and be responsible for all of Lessee's obligations with respect to such items of Property as specified in the Lease.

Lessee agrees that in consideration of each Progress Payment made by Lessor pursuant to this Agreement, Lessee shall pay to Lessor a daily pro-rata interim "service charge" calculated by multiplying the "Lease Rate Factor" specified in the applicable Lease times the amount of such Progress Payment divided by 30. The daily service charges shall accumulate and be payable monthly in arrears on the last day of each such month. The daily service charges shall begin on the date Lessee authorizes Lessor to disburse the Progress Payment and shall continue until all items of Property specified in the Lease are installed, tested and are finally accepted by Lessee as evidenced by Lessee's execution and delivery of the final "Acceptance Certificate" required under the Lease. If any service charge due under this Agreement shall be unpaid after its due date, Lessor shall be entitled to collect late charges from Lessee pursuant to Paragraph 2 of Section 4 of the Master Lease.

Lessee agrees that (a) if it breaches any of its obligations under this Agreement, the Authorization(s), or the Lease, or (b) if any Lease for which Progress Payments have been made is not fully executed and delivered and the Property is not accepted under such Lease within three (3) months after the first Progress Payment is made for items of Property covered by such Lease, or (c) if there is a material adverse change in the creditworthiness or financial condition of Lessee as determined by Lessor in its sole discretion, or (d) if there is a material adverse change in market conditions which effects Lessor's ability to secure nonrecourse underwriting for the Lease, then Lessor may do one or more of the following (i) cease disbursing Progress Payments, (ii) collect all service charges due under this Agreement and all amounts due under the Lease, (iii) without requiring Lessee to execute an Acceptance Certificate, begin the Lease for those items of Property paid under any Progress Payment, (iv) require Lessee to reimburse Lessor for all Progress Payments made, together with all unpaid daily service charges, and (v) exercise any rights or remedies under the Lease and at law or in equity. The occurrence of any of the events specified in (a) through (d) above shall constitute an Event of Default under the Lease. Lessee shall reimburse Lessor for all of its collection and enforcement costs (including attorneys' fees). In the case of (iii) above, Lessee hereby grants Lessor Power of Attorney to execute said Acceptance Certificate on Lessee's behalf for which the "Acceptance Date", as more fully defined in the Exhibit A to the Master Lease shall be the date the last Progress Payment was made by Lessor. In the case of (iv) above, upon receipt of all amounts, charges, and reimbursements required, Lessor will convey its rights and interests in such Property to Lessee and reassign to Lessee all purchase orders and contracts for such Property.

Dated: October 2, 2003

LESSOR:

APPLIED FINANCIAL, LLC

BY: _____

TITLE: Vice President

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Shroyer, III

TITLE: BVP & CFO

**ACCEPTANCE CERTIFICATE
TO
LEASE SCHEDULE NO. 001, AS AMENDED
TO
MASTER LEASE AGREEMENT NO. AFI0367**

Reference is made to Lease Schedule No. 001 dated October 2, 2003, as amended by Amendment No. 1 dated November 21, 2003 and Amendment No. 2 dated January 6, 2004 (collectively, the "Schedule") to Master Lease Agreement No. AFI0367 dated October 2, 2003 (the "Master Lease"), between **APPLIED FINANCIAL, LLC** (the "Lessor"), and **MERCHANTS AND FARMERS BANK** (the "Lessee").

1. Condition of the Property:

The Lessee certifies that all items of Property described in Paragraph 4 have been delivered to the location indicated in Paragraph 2, have been examined, tested, and determined by Lessee to be ready for use, and are hereby accepted as items of Property for all purposes under the Lease, all on the date indicated in Paragraph 3.

2. Location of Property: 134 W. Washington Street, Kosciusko, MS 39090

3. Acceptance Date: 01/07/2004

4. Description of Property: Core Processing System: UNISYS CS7200, EMC Clarion Storage Area Network with software, installation and pre-paid maintenance as more fully described on the attached Exhibit A of two (2) pages, which by this reference is made a part hereof.

LESSEE:

MERCHANTS AND FARMERS BANK

BY: Robert C. Thompson

TITLE: EVP & CFO

CERTIFICATE OF INCUMBENCY

The undersigned, does hereby certify to **APPLIED FINANCIAL, LLC**, that he/she is the Secretary of **MERCHANTS AND FARMERS BANK**, a corporation duly organized, existing in good standing under the laws of the state of its incorporation, and qualified to do business in all states where it is now conducting business (hereinafter "Corporation"), and further certifies as follows:

1. That the individual(s) whose name(s) appear below are either (i) duly elected officers of the Corporation, elected, qualified and acting in the offices set forth beside their names, or (ii) individual(s) serving in the capacity set forth beside their names.

2. That pursuant to the Corporation's By-Laws and/or Resolutions, as amended, the following persons have been properly designated and appointed to the offices indicated and that said persons continue to hold such offices at this time.

NAME	OFFICE	SPECIMEN SIGNATURE
<u>Scott M. Wiggers</u>	<u>President</u>	<u>Scott M. Wiggers</u>
<u>Robert K. Aubrey</u>	<u>Executive Vice President</u>	<u>Robert K. Aubrey</u>
<u>Mickey Taylor</u>	<u>V.P. - Information Systems</u>	<u>Mickey Taylor</u>
<u>Robert C. Thompson, III</u>	<u>Executive Vice President</u>	<u>Robert C. Thompson, III</u>

3. That the persons designated to serve in the above entitled capacities have been given sufficient authority to act on behalf of and to bind the Corporation, and that each document executed before, after or on the date of this Certificate by any one or more of the above persons will constitute a legally binding and enforceable obligation of the Corporation, and that the Corporation has authorized and approved the same.

4. That this Certificate shall be in full force and effect until revoked in writing by the Secretary, Assistant Secretary or by any other duly authorized officer of the Corporation.

5. That pursuant to the Corporation's By-Laws and/or Resolutions, as amended, the undersigned has the power and authority to execute this Certificate on behalf of the Corporation.

IN WITNESS WHEREOF, I have affixed my name and set the seal of the Corporation this 23rd day of October, 2003.

(Corporate Seal)

Grace H. Wood
Signature

GRACE H. WOOD
Print name

Secretary
Title

APPLIED FINANCIAL, LLC6975 Union Park Center, Suite 200
Midvale, Utah 8404**INSURANCE REQUIREMENTS**

A Certificate of Insurance from your insurer is required, naming under your casualty and liability policies:

APPLIED FINANCIAL
and its assigns as
additional insureds and loss payees.

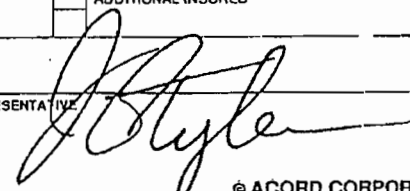
The Certificate shall cover property damage, liability insurance and insurance against loss or damage to the leased property including, without limitation, loss by fire, theft, collision and such other risks of loss as are customarily insured against for the type of property leased. The amount of insurance against loss or damage shall be equal to \$1,852,176.00. The amount of insurance covering liability shall be no less than \$2,000,000 general aggregate/\$1,000,000 each occurrence.

The Certificate shall name Lessee as insured and Lessor and its assignees as additional insured and loss payees thereof. The Certificate shall also reference Master Lease Agreement No. AFI0367 and Lease Schedule No. 001, and shall list all locations covered under the policy.

The Certificate shall state that Lessor and its assignees will be given at least 30 days prior written notice of any material alteration in the terms of such policy or the cancellation thereof.

Please complete and return this form as acknowledgement of your coverage and that you have requested a Certificate.

INSURER St. Paul Insurance CompanyADDRESS St. Paul, MinnesotaPOLICY # FS06801744 EXPIRES 5-19-04AGENCY Tyler, King & RyderCONTACT James A. Tyler PHONE 662-289-4621E-MAIL tttyler@tkronline.com FAX 662-289-3232LESSEE: **MERCHANTS AND FARMERS BANK** ADDRESS: **134 W. Washington Street**
Kosciusko, MS 39090BY: Robert C. Thompson, Jr.TITLE: EVP & CFO DATE: October 21, 2003Master Lease Agreement No. AFI0367
Lease Schedule No. 001

ACORD. EVIDENCE OF PROPERTY INSURANCE		DATE (MM/DD/YY)	
THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.		10-28-03	
PRODUCER Tyler, King & Ryder Box 707 Kosciusko, MS 39090		COMPANY St. Paul Insurance Company	
PHONE (A/C, No, Ext):			
CODE:		SUB CODE:	
AGENCY CUSTOMER ID #: INSURED First M&F Corporation Merchants & Farmers Bank Box 520 Kosciusko, MS 39090		LOAN NUMBER POLICY NUMBER FS06801744	
		EFFECTIVE DATE 5-19-03	
		EXPIRATION DATE 5-19-04	
		<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
		THIS REPLACES PRIOR EVIDENCE DATED:	
PROPERTY INFORMATION LOCATION/DESCRIPTION Blanket computer hardware & software at all bank locations			
COVERAGE INFORMATION			
COVERAGE/PERILS/FORMS		AMOUNT OF INSURANCE	DEDUCTIBLE
Computer property protection form 42441		\$4,014,664	\$1,000
Commercial Liability: \$1,000,000 each occurrence \$2,000,000 aggregate			
REMARKS (Including Special Conditions) Applied Financial, LLC and its Assigns are listed as additional insureds and loss payee in regard to Master Lease #AFIO367, Lease Schedule #1 Amount: \$1,037,000			
CANCELLATION THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW <u>30</u> DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.			
ADDITIONAL INTEREST			
NAME AND ADDRESS Applied Financial, LLC 6975 Union Park Center, Suite 200 Midvale, Utah 84047		<input type="checkbox"/> MORTGAGEE <input checked="" type="checkbox"/> LOSS PAYEE LOAN # AUTHORIZED REPRESENTATIVE 	
		<input checked="" type="checkbox"/> ADDITIONAL INSURED	
ACORD 27 (3/93)		© ACORD CORPORATION 1993	

GUARANTY

THIS GUARANTY is made by **FIRST M & F CORPORATION** of 134 W. Washington Street, Kosciusko, MS 39090 (the "Guarantor") to **APPLIED FINANCIAL, LLC** of 6975 Union Park Center, Suite 200, Midvale, Utah 84047 (the "Lessor") on behalf of **MERCHANTS AND FARMERS BANK** of 134 W. Washington Street, Kosciusko, MS 39090 (the "Lessee").

RECITALS:

A. Lessor and Lessee have or intend to enter into a certain Master Lease Agreement No. AFI0367 dated October 2, 2003, which includes all riders, amendments, supplements or other attachments now or hereafter executed in connection therewith (herein collectively, the "Master Lease"). In connection with the Master Lease, Lessor and Lessee have or intend to enter into one or more Lease Schedules (the "Schedule" or "Schedules") for the purpose of leasing property listed thereon. Each Schedule shall incorporate the terms and conditions of the Master Lease and shall constitute a separate and independent "Lease" for the property listed thereon.

B. As a condition to Lessor's execution of one or more Leases with Lessee, Lessor requires Guarantor to guarantee Lessee's obligations under each Lease.

C. Guarantor is financially interested in Lessee, and by Lessor's execution of each Lease, Guarantor will receive reasonably equivalent value for this Guaranty.

D. Guarantor is willing to guarantee Lessee's obligations under each Lease in accordance with the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and as an inducement to Lessor to enter into each Lease with Lessee, Guarantor represents, warrants and agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees the full, complete and prompt payment, performance and observance of all of Lessee's obligations under each Lease, including without limitation the payment of rents and the payment of all amounts required or provided for under the Lease resulting from Lessee's breach or non-performance thereof. Guarantor agrees that this is an irrevocable, continuing guaranty and that Guarantor shall perform its obligations hereunder notwithstanding any renewal, extension, modification or discharge of any of Lessee's obligations under the Lease. This Guaranty shall apply to each Schedule Lessee executes in connection with the Master Lease, and Lessor shall not be required to notify Guarantor of Lessee's execution of each such Schedule before, at the time of, or after it is executed and delivered.

2. Default by Lessee. Guarantor's obligations hereunder are separate and independent of Lessee's obligations under any Lease. If an Event of Default shall occur and be continuing under any Lease, Lessor may pursue its remedies against Lessee and/or proceed directly against Guarantor for the payment, performance or observance of any and all of Lessee's obligations under the Lease, and Guarantor hereby waives any right to require Lessor: (a) to proceed first or otherwise against Lessee; (b) to proceed against or exhaust any security it may hold; or (c) to pursue any other remedy available to it.

3. Waiver. Guarantor hereby waives notice of acceptance of this Guaranty by Lessor and waives presentment, demand for performance, notice of default, protest, notice of protest, notice of dishonor and any other notice otherwise required with respect to Lessee's failure to perform under the Lease.

Guarantor also waives any defense or disability available to Lessee which might save or release it from liability including, without limitation, defect in or unenforceability of the Lease. No delay on the part of Lessor in exercising any rights under this Guaranty or failure to exercise the same shall operate as a waiver of such rights. No modification or waiver of the provisions of this Guaranty shall be effective unless in writing signed by Lessor, and no such waiver shall be applicable and effective except in the specific instance for which it is given.

4. Authority to Modify Obligations. Without causing a release of Guarantor from its obligations hereunder, Lessor shall be authorized to renew, extend, accelerate or otherwise change the payment schedule or other terms of any Lease; accept partial payments from the Lessee; take and apply any security (if applicable) and exercise any remedy against the Lessee; amend, substitute, waive, subordinate or release any property or additional security or any obligations covered under any Lease; settle, release, compound, compromise, collect or otherwise liquidate the obligations covered under any Lease; and release Lessee from any obligations under any Lease. Lessor shall not be required to notify Guarantor of any of the foregoing modifications made.

5. Familiarity with Lessee. Guarantor shall be solely responsible to keep itself informed as to the financial and other condition of Lessee and of all circumstances bearing upon the risk of Lessee's breach or non-performance of any Lease. Lessor shall have no duty to advise Guarantor of information known to it regarding Lessee's condition, financial or otherwise.

6. Discharge. Nothing shall discharge or satisfy Guarantor's obligations hereunder except the full payment, performance and observance of all of Lessee's obligations under each Lease. Guarantor shall have no right of subrogation, reimbursement or indemnity whatsoever against Lessee and no right of recourse to any of the assets of Lessee under any right of claim resulting from Guarantor's performance under this Guaranty. If any claim is made upon Lessor at any time for repayment or recovery of any amount(s) or other value received by Lessor from any sources, in payment of or on account of any of the liabilities of Lessee guaranteed hereunder and Lessor repays or otherwise becomes liable for all or any part of such claims, for whatever reason, the undersigned shall remain liable to Lessor hereunder as if such amount(s) had never been received by Lessor, notwithstanding any termination hereof or the termination of the agreements evidencing any of the liabilities of Lessor. The terms of this paragraph shall survive the termination of this Guaranty.

7. Representations and Warranties. Guarantor hereby represents and warrants that this Guaranty is a binding obligation of the Guarantor and is enforceable against Guarantor in accordance with its terms, and that the execution, delivery and performance of this Guaranty has been approved by all necessary corporate action and does not violate or conflict with Guarantor's articles of organization, bylaws, resolutions or other governing instruments and will not result in a breach of any agreement to which Guarantor is a party.

8. Applicable Law; Costs of Enforcement. Guarantor agrees that this Guaranty shall be governed by and construed in accordance with the substantive law of the State of Utah and that jurisdiction of any dispute shall be in the Utah state or federal courts. Guarantor submits itself to such jurisdiction. Guarantor agrees that it shall reimburse Lessor for all costs and expenses incurred by Lessor in connection with the enforcement of this Guaranty, including without limitation court costs and reasonable attorneys fees.

9. Assignment. Lessor may assign this Guaranty to another party without notice to Guarantor, and upon such assignment, the assignee shall be entitled to all of the benefits, rights and remedies of Lessor, as if no assignment had been made.

10. Benefit. This Guaranty shall be binding upon the Guarantor, its successors and assigns and shall inure to the benefit of Lessor, its successors and assigns, including any successor assignees.

11. Entire Agreement; Modification; Partial Invalidity. This Guaranty represents the entire obligation of Guarantor in favor of Lessor, and there are no prior or contemporaneous verbal or written modifications to it. This Guaranty shall not be modified or limited except in a writing signed by Lessor and all parties to be bound. In the event that any provision of this Guaranty shall be held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.

Dated: October 2, 2003

GUARANTOR:

ATTEST:

FIRST M & F CORPORATION

BY:

Scott M. Wigg

BY:

Robert C. Thayer, III

TITLE:

President & C.O.

TITLE:

Treasurer

CORPORATE

STATE OF Mississippi

}ss:

COUNTY OF Attala

On the 18th day of November, 2003 before me personally came Scott M. Wiggers, who, being by me duly sworn, did depose and say that he/she resides in Kosciusko, MS that he/she is the President/COO of First M & F Corporation, the corporation described in and which executed within instrument; that he/she knows the seal of said corporation; that he/she is duly authorized by the corporation to execute the within instrument on behalf of the corporation; and that he/she signed his/her name thereto on behalf of the corporation.


Notary Public

My commission expires _____
MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES FEB. 10, 2006

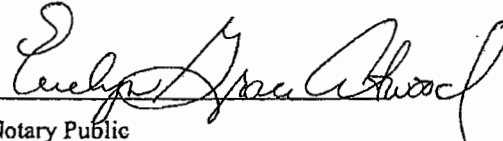
CORPORATE

STATE OF Mississippi

} ss:

COUNTY OF Attala

On the 18th day of November, 2003 before me personally came Robert C. Thompson, III, who being by me duly sworn, did depose and say that he/she resides in Kosciusko, MS that he/she is the Treasurer of First M & F Corporation, the corporation described in and which executed within instrument; that he/she knows the seal of said corporation; that he/she is duly authorized by the corporation to execute the within instrument on behalf of the corporation; and that he/she signed his/her name thereto on behalf of the corporation.


Notary Public

My commission expires _____
MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES FEB. 10, 2006

CERTIFICATE OF CORPORATE RESOLUTION

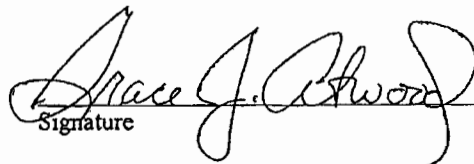
The undersigned, does hereby certify that he/she is the Secretary of **FIRST M & F CORPORATION**, a corporation duly organized, existing in good standing under the laws of the state of its incorporation, and qualified to do business in all jurisdictions where it is now conducting business (hereinafter "Corporation"), and further certifies that the following is a true and exact copy of a Resolution duly adopted by the Board of Directors of the Corporation at a meeting held in accordance with the By-Laws of the Corporation on the 12th day of November, 2003; and that the same is in full force and effect:

RESOLVED, that the Corporation execute a Guaranty in favor of Applied Financial, LLC ("AFI"), guarantying the obligations of **MERCHANTS AND FARMERS BANK**, as Lessee, under a Master Lease Agreement with AFI, as Lessor, together with all Lease Schedules and other documents signed in connection therewith, whether signed before, at the time of, or after the execution by the Corporation of the Guaranty.

RESOLVED, that Scott M. Wiggins as President & COO. of the Corporation is hereby authorized and directed to execute on behalf of the Corporation, acting alone or jointly, the Guaranty and all documents required in connection therewith, and to take all other action on behalf of the Corporation as may be deemed necessary to give effect to the same.

IN WITNESS WHEREOF, I have affixed my name and set the seal of the Corporation this 18th day of November, 2003

(Corporate Seal)


Signature

Secretary

Title