payments of rent, payable in accordance with appropriation of funds, under this paragraph shall be due and payable at the date that Lessor gives notice to Lessee of imposition of the change of tax treatment

Lessee agrees to pay its pro-rata share of attorney's fees that may reasonably be incurred by Lessor in the event legal action or administrative action is taken by the Lessor to secure the tax treatment intended to be taken by Lessor under this Agreement or any other lease which in the opinion of Lessor's counsel will be determinative of the tax treatment under this Agreement whether such action is successful or not. Lessee's pro-rata share shall be determined by the percentage that the Lessor's original cost of the Equipment bears to the total original cost of leased equipment for all other similar leases of the Lessor involving similar issues of fact or law. In the event the Lessor is successful in securing the tax treatment intended to be taken by Lessor, Lessor shall refund to Lessee the total amount of increased interest (as hereinabove provided) which has been paid by Lessee and rental payments for the remainder of the lease term shall be the original rentals as specified in the Equipment Schedules to the extent Mississippi state law allows.

13. Use of Equipment; Inspections. Lessee may possess and use the Equipment in accordance with this Agreement, provided that any such use is in conformity with all applicable laws, regulations, ordinances, any insurance policies and any warranties of the manufacturer or supplier with respect to the Equipment. Lessee will not use or operate any item of Equipment other than in a manner and for the use contemplated by the manufacturer or supplier thereof, or permit any person other than the Lessee's authorized agents or employees to operate the Equipment.

Lessor or Lessor's agent shall have the right upon reasonable prior written notice to the Lessee and during the Lessee's regular business hours to inspect the Equipment at the premises of the Lessee or wherever the Equipment may be located. Lessee shall promptly notify Lessor of all details arising out of any change in location of the Equipment, any alleged encumbrances thereon, any accident allegedly resulting from the use or operation thereof, or any materially defective, improper or malfunctioning item of Equipment and any claim or demand involving or relating thereto.

14. Acceptance. Lessee acknowledges and agrees that:

(a) each item of the Equipment is of a size, design, capacity and manufacture selected by Lessee;

(b) Lessee is satisfied that the Equipment, and each component thereof, is suitable for its purpose;

(c) Lessor is not the manufacturer of the Equipment nor a dealer in property of such kind;

(d) Lessor shall have no obligation to accept any item of the Equipment from any seller thereof until that item of Equipment is accepted by Lessee; and

(e) the foregoing notwithstanding, Lessee shall indemnify Lessor and hold Lessor harmless from and against any and all losses and liabilities which may arise from Lessee's

failure for any reason to accept any item of the Equipment to the extent the state of Mississippi law allows.

15. Maintenance. Lessee will pay for and provide all utilities consumed by or required for the Equipment or use thereof, including, but not limited to, water, gas, electrical power, oil, gasoline, and lubricants. Lessee, at its sole expense, at all times during the term of this Agreement, shall maintain the Equipment and all additions, attachments and accessions thereto in good operating order, repair, condition, and appearance, and keep the same protected from the elements, ordinary wear and tear resulting from authorized use thereof alone excepted and shall make all necessary repairs and replacements to the Equipment. If the manufacturer of the Equipment has provided Lessee with a standard maintenance schedule, such schedule will constitute minimum maintenance compliance and Lessee upon request, will furnish Lessor with satisfactory evidence of such compliance. In furtherance of the maintenance of the Equipment, Lessee agrees, if requested by Lessor and in compliance with all state laws, to enter into and maintain in force a Maintenance Agreement with the manufacturer or a person (who may be a supplier) approved by the manufacturer providing for the maintenance of the Equipment (or specified items of Equipment). In the event Lessee is requested to enter into such a Maintenance Agreement, Lessee agrees to do all things within its power to cause such Maintenance Agreement to be complied with in all respects by Lessee, and the other party thereto; and Lessor hereby authorizes such other party thereto to accept the direction of Lessee in respect to such Maintenance Agreement. All maintenance and service charges, whether pursuant to such Maintenance Agreement or otherwise, shall be borne by Lessee.

16. Alterations and Repairs. Lessee shall not, without the prior written consent of Lessor (which may be withheld with or without cause), make any repair or alteration to or install any accessory, equipment, or device on the Equipment or any component thereof which interferes with the normal and satisfactory operation or maintenance thereof, or creates a safety hazard, or which might result in the creation of mechanic's or material man's lien with respect thereto. All parts and attachments (whether new or replaced) at any time installed in or affixed to the Equipment shall constitute accessions thereto and shall be the property of Lessor (except items which are furnished or affixed by Lessee and may be removed without in any way affecting or impairing the original intended function or use of the Equipment or any component thereof and are readily removable by Lessee without causing material damage to the Equipment).

17. Disclaimer of Warranties; Exclusion of Liability. LESSOR, NOT BEING THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT, MAKES NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER WITH RESPECT TO THE EQUIPMENT, INCLUDING BUT NOT LIMITED TO; THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE; THE DESIGN OR CONDITION OF THE EQUIPMENT; THE QUALITY OR CAPACITY OF THE EQUIPMENT; THE PERFORMANCE OF THE EQUIPMENT; THE WORKMANSHIP OR MATERIAL IN THE EQUIPMENT; COMPLIANCE OF THE EQUIPMENT WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; PATENT INFRINGEMENT; OR LATENT DEFECTS. AS TO LESSEE, LESSOR LEASES THE EQUIPMENT "AS IS." Lessor shall have no obligation to accept any item of Equipment from any supplier thereof until that item of Equipment is accepted by Lessee. Lessor hereby assigns to Lessee, for and during the term of this Lease, applicable factory warranties, if any, express or implied, issued with respect to the Equipment and each component thereof, and Lessee

will be subrogated to Lessor's claims, if any, against the manufacturer or supplier of the Equipment for breach of any warranty or representation with respect thereto. Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense. Lessor authorizes Lessee to enforce in its own name any warranty, representation or other claim enforceable against the manufacturer. Lessor assumes no responsibility for shipment, delivery, installation or maintenance and all claims of Lessee with respect thereto, whether for delay, damage or otherwise, shall be made against supplier. Lessor, at its option, may provide in its Purchase Order that supplier agrees that any of such claims may be made by Lessee directly against suppliers. The obligation of Lessee to pay the rental payments shall not be abated, impaired or reduced by reason of any claims of the Lessee with respect to Equipment condition, quality, workmanship, delivery, shipment, installation, defects or otherwise. Notwithstanding the foregoing, Lessee's obligations to pay the rentals or otherwise under this Lease shall be and are absolute and unconditional except as provide in paragraph 4 of the agreement. All proceeds of any such warranty recovery from the manufacturer or supplier of the Equipment shall be first used to repair the affected Equipment. In no event shall Lessor be liable to Lessee for loss of anticipatory profits or any other direct, indirect, special or consequential damages.

18. Risk of Loss. All risk of loss, theft, damage or destruction to each item of Equipment shall be borne by Lessee. No such loss, theft, damage or destruction of the Equipment, in whole or in part, shall impair the obligations of Lessee under this Agreement, all of which shall continue in full force and effect, and Lessee, at Lessor's option, shall either:

(a) place the affected Equipment in good repair, condition and working order;

(b) replace the same with like Equipment in good repair, condition and working order (with documentation establishing clear title therein in Lessor); or

(c) pay to Lessor an amount equal to the purchase option price as prescribed in Paragraph 21 hereof, less the net amount of the recovery, if any, actually received by Lessor from insurance or otherwise for such loss, theft, damage or destruction.

19. Insurance. Lessee shall keep the Equipment insured against loss, theft, damage or destruction from every cause whatsoever for not less than full replacement value thereof, and shall carry public liability and property damage insurance covering the Equipment and its use with companies approved by the Lessor. All such insurance shall be in the joint names of Lessor and Lessee, with Lessor and Lessee named as loss payees, as their interests may appear, shall provide that Lessor shall receive not less than 30 days' notice of any termination, cancellation or alteration of the terms thereof and that the coverage afforded Lessor shall not be rescinded, impaired or invalidated by any act or neglect of Lessee, and otherwise shall be in form and amount and with companies approved by Lessor. Lessee shall pay the premiums therefor and delivery said policies, or duplicates thereof or certificates of coverage thereunder, to Lessor. The proceeds of hazard insurance shall, at the option of Lessor, be applied toward the repair or replacement of the Equipment or the payment of the obligations of Lessee hereunder, as set forth in Paragraph 18. The proceeds of any public liability or property damage insurance shall be payable first to Lessor to the extent of its liability, if any, and the balance to Lessee. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of, and execute or endorse all documents, checks or drafts for loss or damage under any such policy.

20. License and Taxes. In addition to other payments to be made pursuant to this Agreement, Lessee shall pay Lessor, as additional payment, on demand, an amount equal to, all license, assessments, sales, use, real or personal property, gross receipts or other assessments, taxes, levies, imposts, duties and charges, if any together with any penalties, fines or interest thereon imposed against or on Lessor, Lessee or the Equipment by any governmental authority upon or with respect to the Equipment or the purchase, ownership, possession, operation, return or sale of, or receipt of payments for, the Equipment, except any Federal or state income taxes, if any, payable by Lessor. Lessee may contest any such taxes prior to payment provided such contest does not involve any risk of sale, forfeiture or loss of the Equipment or any interest therein.

21. **Prepayment Purchase**. At the end of the lease term for Equipment covered by an Equipment Schedule, provided all rental payments have been made under such Equipment Schedule and there is no default or event which with the giving of notice or lapse of time, or both, could become a default under the Agreement, any interest of Lessor to the Equipment subject to such Equipment Schedule shall be transferred to the Lessee or released. Provided all rental payments under this Agreement are paid to date, Lessee may prepay for Equipment under an Equipment Schedule and purchase the interest of Lessor in the Equipment at the end of any month during the lease term by payment of:

(a) the outstanding principal balance due under the Amortization Schedule attached to the applicable Equipment Schedule (or any substitute amortization schedule in effect in accordance with Paragraph 12) plus accrued interest to date;

(b) the cost of any required inspections, examinations, or certifications of the Equipment; and

(c) the cost of any repairs, modifications, or adjustments required as a result of the inspections, examinations, or certifications referred to in (b) above.

Such option shall be exercisable by written notice to Lessor not less than 30 days prior to the prepayment purchase date. The closing shall be held on the specified prepayment purchase date, or on the next following business day if such day is a Saturday, Sunday or legal holiday, at the Principal Offices of Lessor, at which time Lessor shall deliver to Lessee a release of any interest of the Lessor in the Equipment subject to such Equipment Schedule to Lessee. Upon payment in full of all amounts due with respect to all Equipment identified in a particular Equipment Schedule and release of any interest by the Lessor of its interest in such Equipment to the Lessee, this Agreement shall terminate with respect to such Equipment for which payment has been made in full (but shall remain in force with respect to any other Equipment identified in another Equipment Schedule for which payment in full has not been made.)

22. Security Interest. To secure all of its obligations hereunder Lessee grants to Lessor a first and prior security interest in any and all right and interest of Lessee in the Equipment, the Agreement and payments due under this Agreement, agrees that this Agreement may be filed as a

financing statement evidencing such security interest, and agrees to execute and deliver all financing statements and other instruments necessary or appropriate to evidence such security interest. Lessee further agrees that the Uniform Commercial Code of the State of Mississippi shall apply as between the parties hereto and assignees of Lessor.

23. Default. The Lessee shall be in default under this Agreement upon the occurrence of any of the following events:

(a) nonpayment when due or within 10 days thereafter of any installment of rent or other sum owing hereunder, except for nonpayment due to a non-appropriation event as provided in paragraph 4 hereof;

(b) breach of any other covenant or agreement in this Agreement and the continuance of such breach for a period of 10 consecutive days following Lessee's receipt of written notice thereof from Lessor;

(c) if any representation or warranty made by Lessee or by any agent or representative of Lessee herein or in any document or certificate furnished Lessor in connection herewith or pursuant hereto proves to be incorrect at any time in any material respect;

(d) if Lessee shall dissolve or become insolvent or bankrupt, commit any act of bankruptcy, make any assignment for the benefit of, or enter into an arrangement or composition with creditors, suspend or terminate the transaction of its usual business or consent to the appointment of a trustee or receiver of if a trustee or receiver shall be appointed for Lessee or for a substantial part of its property, or if bankruptcy, reorganization arrangements or similar proceedings shall be instituted by or against Lessee;

(e) if any order, judgment or decree shall be entered against Lessee by a court of competent jurisdiction and such order, judgment or decree shall continue unpaid or unsatisfied for any period in excess of 60 consecutive days without a stay of execution, or if a writ or order of attachment, execution or other legal process shall be issued in connection with any action or proceeding against Lessee or its property whereby any of the Equipment or any substantial part of Lessee's property may be taken or restrained;

(f) if Lessee shall default in the performance of any obligation or in the payment of any sum due to the Lessor under any other lease, contract, agreement, arrangement or understanding;

(g) if any indebtedness of Lessee for borrowed money shall become due and payable by acceleration of the maturity date thereof; or

(h) if Lessor, in the exercise of reasonable judgment, shall determine that Lessee is generally not paying its debts as such debts become due. In addition, Lessee shall give Lessor 5 days' written notice prior to the filing of any voluntary petition of bankruptcy, or written notice prior to taking any action with respect to the Equipment in bankruptcy proceedings, and shall include in said written notice the venue of the anticipated proceedings and a copy of any relevant pleadings with respect thereto. Failure to give said written notice within the time as specified shall constitute an event of default hereunder and shall cause an immediate termination of this Agreement as to all

items of Equipment. Said default and termination, however, shall not constitute an election of remedies and Lessor shall retain its rights to such other remedies as may be set forth in this Agreement.

24. Remedies. Upon the occurrence of any event of default and at any time thereafter, Lessor, acting alone and/or through its agents, may, without any further notice, exercise one or more of the following remedies as Lessor in its sole discretion shall elect:

(a) declare the unpaid principal balance plus accrued interest to date under this Agreement to be immediately due and payable without notice or demand;

(b) terminate this Agreement as to any or all items of Equipment;

(c) without notice, demand, liability or legal process, enter into any premises of or under control or jurisdiction of Lessee or any agent of Lessee where the leased Equipment may be, or is believed to be by Lessor, and repossess all or any item thereof, disconnecting and separating all or so much thereof as may be required to disconnect or separate same from any other property, Lessee hereby expressly waiving all further rights to possession of the Equipment and all claims for injuries suffered through or loss caused by such repossession;

(d) cause Lessee, at its expense, promptly to return the Equipment to Lessor, at such place as Lessor may designate, in the condition set forth above;

(e) use, hold, sell, lease or otherwise dispose of the Equipment or any item thereof on the premises of Lessee or at any other location without affecting the obligations of Lessee as provided in this Agreement;

(f) sell or lease the Equipment or any part thereof, at public auction or by private sale or lease at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee, and, if notice thereof is required by law, any notice in writing of any such sale or lease by Lessor to Lessee not less than 10 days prior to the date thereof shall constitute reasonable notice thereof;

(g) proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Agreement or to recover damages for the breach thereof; or

(h) to the extent state law allows, exercise any and all rights accruing to Lessor under any applicable law upon a default by Lessee. In addition, Lessor shall be entitled to recover immediately as liquidated damages for the loss of a bargain and not as a penalty, a sum equal to the aggregate of the following:

(i) all unpaid rent or other sums which are due and payable up to the date the Equipment is returned to or repossessed by Lessor,

(ii) any expense paid or incurred by Lessor in connection with the

repossession, holding, repair and subsequent sale, lease or other disposition of the Equipment, including attorneys' fees and legal expenses, and

(iii) the purchase option price as prescribed in Paragraph 21 hereof, less the net amount of the recovery, if any, actually received by Lessor from insurance or otherwise. Additionally, the measure of liquidated damages as set forth hereinabove shall be applicable to fix the damages accruing for the unexpired portion of the lease term if this Agreement is not assumed by the Lessee in a bankruptcy proceeding. Should Lessor, however, estimate its actual damages to exceed the foregoing, Lessor may, at its option, recover its actual damages in lieu of or in addition thereto.

None of the remedies of Lessor under this Agreement are intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to herein or otherwise available to Lessor at law or in equity. Lessee agrees to pay Lessor all attorneys' fees and all costs and expenses incurred by Lessor in connection with the enforcement of the terms of the Agreement or any right or remedy hereunder to the extent state law allows. Any repossession or subsequent sale or lease by the Lessor of any item of Equipment shall not bar an action for a deficiency as herein provided and the bringing of an action or the entry of a judgment against the Lessee shall not bar the Lessor's right to repossess any or all items of Equipment. Lessee waives any and all rights to notice and to a judicial hearing with respect to the repossession of the Equipment by Lessor in the event of a default hereunder by Lessee to the extent state law allows.

25. Reports. Lessee shall:

(a) immediately notify Lessor of any materially defective, improper, or malfunctioning item of Equipment, the nature of the defect or malfunction, the name and address of the manufacturer of the item of Equipment, and such other information as may be known;

(b) promptly advise Lessor of all correspondence, papers, notices, and documents whatsoever received by Lessee in connection with any claim or demand involving or relating to materially improper manufacturing, operation, use, or functioning of any item of Equipment or charging Lessor or Lessee with liability, and aid in the investigation and defense of all such claims and in the recovery of damages from third persons liable therefore;

(c) notify Lessor in writing within 10 days after any day on which any tax lien shall attach to any item of Equipment; and

(d) reimburse Lessor, upon demand, for all attorneys' fees, court costs, and other fees, costs, and expenses incurred by Lessor in connection with the foregoing to the extent state law allows.

26. Further Assurances. Lessee will promptly execute and deliver to Lessor such further documents and take such further action as Lessor may reasonably request in order to more effectively carry out the intent and purposes hereof.

27. Lessee's Obligations Unconditional. Except as provided in paragraph 4 hereof, Lessee hereby agrees that Lessee's obligation to pay all rent and other amounts owing hereunder shall be absolute and unconditional. This Agreement may not be cancelled or terminated except as expressly provided herein.

28. Relationship of Parties. The relationship of Lessor and Lessee is that of Lessor and Lessee only, and nothing contained herein shall be deemed or construed by Lessor and Lessee, or by any third party, or by any court, as creating the relationships of employer and employee, principal and agent, partnership, or joint venture.

29. Notices. All notices, demands and requests which may or are required to be given to another party hereunder shall be in writing, and each shall be deemed to have been properly given when served personally on an executive officer of the party to whom such notice is to be given, or when sent postage prepaid by first class mail, registered or certified, return receipt requested, by deposit thereof in a duly constituted United States Post Office or branch thereof located in one of the states of the United States of America in a sealed envelope addressed as follows:

If to the Lessor:

Bancorp South Equipment Finance,
division of Bancorp South Bank
P. O. Box 15097
302 Second Avenue
Hattiesburg, MS 39404-5097
Attention: Ms. Elaine D. Temple, President

If to the Lessee:

City of Gautier
3330 Hwy. 90
Gautier, MS 39553
Attention: _____

A duplicate copy of each notice, certificate or other communication given under this Agreement to any party thereunder shall also be given to any other parties indicated in this Paragraph. The Lessor and Lessee, by notice given hereunder, designate any further or different addresses and to which subsequent notices, certificates or other communications shall be sent.

30. Consents. The consent or approval by any party to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. No custom or practice of the parties shall constitute a waiver of any party's rights to insist upon strict compliance with the terms hereof.

31. Entirety of Agreement. This Agreement contains the entire agreement between Lessor and Lessee, and supersedes all prior agreements and understandings relating to the subject

matter hereof. No other agreement shall be effective to change, modify, or terminate this Agreement in whole or in part unless such agreement is in writing and duly signed by the party against whom enforcement of such change, modification, or termination is sought. No representations, inducements, promises, or agreements, oral or otherwise, which are not embodied herein shall be of any force or effect.

32. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, and all of which shall constitute, collectively, one agreement, but, in making proof hereof, it shall never be necessary to exhibit more than one such counterpart.

33. Amendments and Addendums. This Agreement may be amended or any of its terms modified only by written consent of Lessee and Lessor or its assignee.

In the event Lessee desires to buy other equipment, the parties may execute an addendum to this Agreement with respect to such other equipment by (i) executing a Purchase Order for such equipment; (ii) executing an acceptance certificate of the equipment; and (iii) obtaining new opinions and other supporting documentation as required or permitted by this Agreement. For purposes of construing subsequent transactions concerning other equipment as an integrated contract, the following shall be considered a single transaction or legal and binding agreement:

(a) This Agreement, which provides basic terms and conditions;

(b) An executed Purchase Order and acceptance certificate; and

(c) Schedules, exhibits, and other attachments to such documents that pertain to the equipment described in the delivery order, and supporting documentation such as, e.g., opinions of counsel and insurance certificates.

34. Severability Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid, or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

35. Persons Bound by Agreement. The conditions, terms, provisions, and covenants contained in this Agreement shall apply to, inure to the benefit of, and be binding upon Lessee, and its successors, assigns, agents, and servants. The Lessee has no interest in the Equipment other than the possession and use thereof during the lease term and cannot pledge, mortgage, or grant a security interest in the Equipment or any item of Equipment. The conditions, terms, provisions, and covenants contained in this Agreement shall apply to, inure to the benefit of, and be binding upon Lessor, and its successors, assigns, agents, and servants, and, where the context so requires, any person accepting an assignment of the rights of Lessor hereunder, and their respective successors,

assigns, agents, and servants, and with respect to any indemnification provisions hereof, Lessor and any holder of obligations of Lessor issued in connection with this Agreement, and their respective successors, assigns, agents, and servants, shall each be entitled to indemnification hereunder without regard to the actions of any other person hereunder.

36. Assignment. (a) Without Lessor's prior consent, Lessee shall not either (i) assign, transfer, pledge, hypothecate, grant any security interest in or otherwise dispose of this Agreement or the Equipment or any interest in this Agreement or said Equipment, or (ii) lease or lend the Equipment or permit it to be used by anyone other than Lessee or Lessee's employees. Lessor may, without the consent of Lessee, assign its rights, title and interest in and to this Agreement, and all attachments hereto including the Purchase Order(s), to various assignee/investors or their agents or trustees, and/or grant or assign a security interest in this Agreement or the Equipment, in whole or in part and its assignee may reassign this Agreement. Lessee agrees that this Agreement may become a part of a pool of contract obligations at Lessor's option, and Lessor or its assignees may assign or further assign either the entire pool or a fractionalized interest therein. Each such assignee shall have all of the rights of Lessor under this Agreement. Lessee shall recognize and acknowledge each such assignment and/or security interest. Subject to the foregoing, this Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assignees of the parties hereto.

(b) This Agreement and any interest herein may be transferred only through a book entry system as prescribed by Section 149(a) of the Code, as the same may be amended from time to time. During the term of this Agreement, Lessee shall keep a complete and accurate record of all assignments and other transfers in form and substance necessary to comply with Section 149(a) of the Code. Upon assignment of Lessor's interest herein, Lessor will cause written notice of such assignment to be sent to Lessee and, upon receipt of such notice of assignment, Lessee shall: (i) acknowledge the same in writing to Lessor; and (ii) record the assignment in Lessee's "book entry system" as that term is defined in Section 149(a) of the Code. No further action will be required by Lessor or by Lessee to evidence the assignment. No such assignment shall become effective without recordation of the assignment in said "book entry system."

37. Waivers; Cumulative Rights. No waiver by Lessor of any default shall be deemed to be a waiver of any other then existing or subsequent default, nor shall any such waiver by Lessor be deemed to be a continuing waiver. No delay or omission by Lessor in exercising any right, power, privilege, or remedy hereunder, or at law or in equity, or otherwise shall impair any such right, or be construed as a waiver thereof or any acquiescence therein, nor shall any single or partial exercise of any right preclude other or further exercise thereof, or the exercise of any other right. All rights shall be cumulative of and in addition to all other rights, and may be exercised from time to time, and as often as may be deemed expedient by Lessor.

38. Governing Law. The substantive laws of the State of Mississippi shall govern the validity, construction, enforcement, and interpretation of this Agreement, the rights and remedies of the parties hereunder, and the ownership rights in and to the Equipment.

39. Right to Perform Covenants. If Lessee shall fail to make any payment or perform any act required to be made or performed by Lessee hereunder, Lessor, without waiving or releasing any obligation or default on the part of Lessee, may (but will be under no obligation to) at any time

thereafter make such payment or perform such act for the account and at the expense of Lessee, and may take all such action as may be necessary therefore. All sums so paid by Lessor and all expenses (including, without limitation, reasonable attorneys' fees) so incurred, together with interest thereon from the date of payment or incurring at the highest rate permitted by applicable law, will be paid by Lessee to Lessor on within 30 days.

40. Survival. Lessee's obligations contained in this Agreement shall survive the termination or cancellation of this Agreement or the expiration of the term of any schedule.

41. Special Stipulations. Any amendment to standard language will be set forth in Exhibit A attached hereto ("Special Stipulations").

42. Maximum Interest Rate. Nothing contained in this Agreement shall require the Lessee to pay interest at a rate exceeding the Maximum Permissible Rate. If the amount of interest payable to the Lessor for any period would otherwise exceed the Maximum Permissible Amount for such period, such amount shall be automatically reduced to the Maximum Permissible Amount for such period, and the amount of interest payable to the Lessor for any subsequent period, to the extend less than the Maximum Permissible Amount for such subsequent period, shall, to the extent, be increased by the amount of such reduction. The Lessee shall give the Lessor notice of any law or change in law that may result in such reduction or increase promptly after becoming aware of such law or change. "Maximum Permissible Amount" means, with respect to interest on any amount for any period, the maximum amount of interest that can be payable with respect to such amount for such period without causing the rate of interest on such amount for such period to exceed the Maximum Permissible Rate. "Maximum Permissible Rate" means the rate of interest on an amount that if exceeded could, under law, result in civil or criminal penalty being imposed on the Lessor or result in the Lessor's being unable to enforce payment or repayment of all or part of the rental payments due under this Agreement, including portions allocable to interest due or to become due on such amount.

43. Effective Date. This Agreement shall become effective upon execution by all of the parties hereto.

The parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

LESSOR:	LESSEE:
BancorpSouth Equipment Finance, a division of BancorpSouth Bank	City of Gautier, Mississippi
By: _____	By: _____
Title: _____	Title: _____

RESOLUTION AUTHORIZING AND APPROVING EXECUTION OF AN EQUIPMENT LEASE-PURCHASE AGREEMENT WITH BANCORPSOUTH EQUIPMENT FINANCE, A DIVISION OF BANCORPSOUTH BANK FOR THE PURPOSE OF LEASE-PURCHASING CERTAIN EQUIPMENT

WHEREAS, the Mayor and City Council, the Governing Body (the "Governing Body") of City of Gautier, Mississippi (the "Lessee"), acting for and on the behalf of the Lessee hereby finds, determines and adjudicates as follows:

1. The Lessee desires to enter into an Equipment Lease-Purchase Agreement with the Exhibits attached thereto in substantially the same form as attached hereto as Exhibit "A" (the "Agreement") with BancorpSouth Equipment Finance, a division of BancorpSouth Bank (the "Lessor") for the purpose of presently purchasing the equipment as described therein for the total cost specified therein (collectively the "Equipment") and to purchase such other equipment from time to time in the future upon appropriate approval;

2. The Lessee is authorized pursuant to Section 31-7-13(e) of the Mississippi Code of 1972, as amended, to acquire equipment and furniture by Lease-Purchase agreement and pay interest thereon by contract for a term not to exceed 5 years;

3. It is in the best interest of the residents served by Lessee that the Lessee acquire the Equipment pursuant to and in accordance with the terms of the Agreement; and

4. It is necessary for the Lessee to approve and authorize the Agreement.

5. The Lessee desires to designate the Agreement as a qualified tax-exempt obligation of Lessee for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code").

NOW, THEREFORE, BE IT RESOLVED by this Governing Body for and on behalf of the Lessee as follows:

Section 1. The Agreement and Exhibits attached thereto in substantially the same form as attached hereto as Exhibit "A" by and between the Lessor and the Lessee is hereby approved and _____(the "Authorized Officer") is hereby authorized and directed to execute said Agreement on behalf of the Lessee.

Section 2. The Agreement is being issued in calendar year _____.

Section 3. Neither any portion of the gross proceeds of the Agreement nor the Equipment identified to the Agreement shall be used (directly or indirectly) in a trade or business carried on by any person other than a governmental unit, except for such use as a member of the general public.

Section 4. No portion of the rental payments identified in the Agreement (a) is secured, directly or indirectly, by property used or to be used in a trade or business carried on by a person other than a governmental unit, except for such use as a member of the general public, or by payments in respect of such property; or (b) is to be derived from payments (whether or not to Lessee) in respect of property or borrowed money used or to be used for a trade or business carried on by any person other than a governmental unit.

Section 5. No portion of the gross proceeds of the Agreement are used (directly or indirectly) to make or finance loans to persons other than governmental units.

Section 6. Lessee hereby designates the Agreement as a qualified tax-exempt obligation for purposes of Section 265(b) of the Code.

Section 7. In calendar year _____, Lessee has designated $ _____ of tax-exempt obligations (including the Agreement) as qualified tax-exempt obligations. Including the Agreement herein so designated, Lessee will not designate more than $10,000,000 of obligations issued during calendar year _____ as qualified tax-exempt obligations.

Section 8. Lessee reasonably anticipates that the total amount of tax-exempt obligations (other than private activity bonds) to be issued by Lessee during calendar year _____ will not exceed $10,000,000.

Section 9. For purposes of this resolution, the amount of Tax-exempt obligations stated as either issued or designated as qualified tax-exempt obligations includes tax-exempt obligations issued by all entities deriving their issuing authority from Lessee or by an entity subject to substantial control by Lessee, as provided in Section 265(b)(3)(E) of the Code.

Section 10. The Authorized Officer is further authorized for and on behalf of the Governing Body and the Lessee to do all things necessary in furtherance of the obligations of the Lessee pursuant to the Agreement, including execution and delivery of all other documents necessary or appropriate to carry out the transactions contemplated thereby in accordance with the terms and provisions thereof.

Following the reading of the foregoing resolution, _____ moved that the foregoing resolution be adopted, _____ seconded the motion for its adoption. The _____ put the question to a roll call vote and the result was as follows:

_____ Voted: _____

_____ Voted: _____

_____ Voted: _____

_____ Voted: _____

_____ Voted: _____

_____ Voted: _____

_____ Voted: _____

The motion having received the affirmative vote of all members present, the _____ declared the motion carried and the resolution adopted this the _____ day of _____, _____.

_____
(presiding officer), Title

ATTEST:

_____

(SEAL)

THIS IS A FORM FOR THE COUNSEL'S OPINION FOR LEASE-PURCHASE. THIS LETTER SHOULD BE TYPED ON THE COUNSEL'S LETTERHEAD:

BancorpSouth Equipment Finance,
a division of BancorpSouth Bank
P. O. Box 15097
Hattiesburg, MS 39404-5097

Re: Lease-Purchase of Equipment by
City of Gautier, Mississippi
Schedule No. 002 to Master Lease No. 7335B

Ladies and Gentlemen:

Pursuant to your request, we hereby render the following opinion regarding the Equipment Lease-Purchase Agreement (the "Agreement") between City of Gautier, Mississippi (the "Lessee") and the Mayor and City Council (the "Governing Body") and BancorpSouth Equipment Finance, a division of BancorpSouth Bank (the "Lessor") dated _____.

We have acted as counsel to the Lessee and the Governing Body with respect to certain legal matters pertaining to the Agreement, and to the transactions contemplated thereby. We are familiar with the Agreement and we have examined such agreements, schedules, statements, certificates, records, including minutes of the Governing Body of the Lessee and other instruments of public officials, Lessee, and other persons as we have considered necessary or proper as a basis for the opinions hereinafter stated.

Based on such examination, we are of the opinion that:

1. Lessee and the Governing Body have full power, authority and legal right to execute, deliver and perform the terms of the Agreement. The Agreement has been duly authorized by all necessary action on the part of Lessee and the Governing Body and any other governing authority and does not require the approval of, or the giving of notice to any other federal, state, local, or foreign governmental authority and does not contravene any law binding on Lessee or the Governing Body or contravene any indenture, credit agreement or other agreement to which Lessee or the Governing Body is a party or by which it is bound.

2. The Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of Lessee and the Governing Body enforceable in accordance with its terms.

3. All required procedures for execution of the Agreement, including competitive bidding, if applicable, have been complied with, and all rentals will be paid out of funds which are legally available for such purposes.

4. With respect to the tax-exempt status of the interest portion of rental payments under the Agreement, under present law: