



Nick-O Sewing Machine Co., Inc.

NEW & USED INDUSTRIAL SEWING MACHINES AND SUPPLIES

EQUIPMENT LEASE WITH OPTION TO PURCHASE

THIS EQUIPMENT LEASE is between NICK-O SEWING MACHINE CO., INC. hereinafter referred to as "Lessor(s)" and _____ of _____ (address), hereinafter referred to as "Lessee(s)."

In consideration of the following covenants and conditions, Lessor leases to Lessee and Lessee leases from Lessor all those items of equipment named and described in Schedule "A" attached to and made a part of this agreement, hereinafter referred to as "The Equipment," subject to the following terms and conditions:

SECTION ONE

RENTAL PAYMENTS AND TERMS

The rental price for the equipment shall be based upon the original selling price of the equipment as stated on Schedule A. The minimum rental period is three (3) months. The first month of rental is ten (10%) percent of the original selling price per month. After the first three months, rental is five (5%) percent per month of the original selling price of the equipment.

The term of the lease is for a minimum of three (3) months which is non-cancellable and thereafter the Lessee may terminate this lease as provided in Section Ten.

SECTION TWO

LOCATION OF EQUIPMENT

The equipment shall be located at _____ during the lease period, and shall not be removed from that location without Lessor's prior written consent.

SECTION THREE

CARE OF EQUIPMENT

Lessee shall use the equipment in a careful and proper manner and shall comply with all laws, ordinances, and regulations relating to the possession, use, or maintenance of the equipment.

SECTION FOUR

OPERATION OF EQUIPMENT

Lessee shall permit the equipment to be operated only by competent and qualified employees, and shall insure that the equipment is not subjected to careless or needlessly rough usage.

SECTION FIVE

IDENTIFICATION OF EQUIPMENT

If at any time Lessor supplies Lessee with labels, or other markings stating equipment is owned by Lessor, Lessee shall affix and keep such labels, plates, or other markings in a prominent place on the equipment. Lessee shall not alter, disfigure, or cover up any such marks of identification displayed on the equipment.

SECTION SIX

ALTERATIONS

Lessee agrees that it will make no alterations in or to the equipment without obtaining the prior written permission from Lessor. All additions to and improvements of the equipment of any kind shall immediately become the property of the Lessor and subject to the terms of the lease.

SECTION SEVEN

MAINTENANCE AND REPAIR

Lessee agrees to keep the equipment in good repair and operating condition, allowing for reasonable wear and tear. Lessee agrees to pay for all expenses of maintaining and repairing of the equipment to keep it in peak operating condition. Expenses of repair shall include labor, material, parts, and similar items.

SECTION EIGHT

LESSOR'S RIGHT OF INSPECTION

Lessor shall have the right at any time, during Lessee's normal business hours, to enter the premises occupied by the equipment and shall be given free access to and afforded necessary facilities for the purpose of inspecting the equipment.

SECTION NINE

RETURN OF EQUIPMENT

Upon expiration of the Lessee term, unless the option to purchase is exercised by Lessee, the Lessee, at its own expense, shall deliver the equipment in good condition, ordinary wear and tear resulting from proper use alone excepted, and free and clear of encumbrances, to Lessor at its place of business located in Stanton, Tennessee, or to such other location as Lessor may designate that does not increase the cost of delivery.

SECTION TEN

LESSEE'S OPTION TO TERMINATE

Lessee, if not in default in any obligation under this lease, may terminate this lease with respect to any item of equipment leased at any time after three (3) months from the date of delivery of such item, on thirty (30) days prior written notice of such termination to Lessor.

SECTION ELEVEN

LESSEE'S OPTION TO PURCHASE

Lessee, if not in default in any obligation under this lease, is granted by Lessor an option to purchase any particular item of equipment leased at any time during term of lease, provided that Lessee gives Lessor thirty (30) days prior written notice.

If Lessee exercises the option to purchase, the purchase price of the equipment shall be as set forth on the schedule attached hereto as exhibit "A" with:

1. If the equipment is purchased during the first three (3) months of rental, the Lessee can apply one hundred (100%) percent of the rentals paid to the purchase price.
2. If the equipment is purchased after three (3) months of rental, but prior to the end of the first six (6) months of rental, the Lessee can apply seventy-five (75%) percent of the rentals paid toward the purchase price.
3. After the sixth month of rental, the Lessee shall have the option to purchase the equipment and apply fifty (50%) percent of the total rentals paid not to exceed seventy-five (75%) percent of the original purchase price as set forth on Schedule "A."
4. The purchase price shall be due and payable in cash immediately upon the exercise of the option and all rentals must be current.

SECTION TWELVE

ACCEPTANCE OF EQUIPMENT

Lessee shall immediately inspect each item of equipment delivered pursuant to the lease and shall notify Lessor in writing of any discrepancies in the equipment's state of condition. If Lessor receives no such written notice within ten (10) days after delivery of any item of equipment, Lessee will be conclusively presumed to have accepted the equipment.

SECTION THIRTEEN

RISK OF LOSS OR DAMAGE

Lessee assumes all risk of loss of and damage to the equipment for any cause, and agrees to return it to Lessor in as good condition as when received, normal wear and tear accepted. No loss of or damage to the equipment shall impair any obligation of Lessee under this lease, and all such obligations shall continue in full force and effect until otherwise discharged.

SECTION FOURTEEN

INDEMNITY OF LESSOR FOR LOSS OR DAMAGE

In the event of loss or damage to the equipment, Lessee, shall:

- (a) Place the equipment in good repair;
- (b) Replace the equipment with like equipment in good repair, which equipment shall become the property of Lessor and subject to this lease; OR
- (c) Pay Lessor therefore in cash the value of the equipment as if the option to purchase had been exercised.

SECTION FIFTEEN

LIABILITY AND INDEMNITY FOR PERSONAL INJURIES

Liability for injury, disability, and death of workers and other persons caused by operating, handling, or transporting the equipment during the term of the lease shall be assumed by Lessee, and Lessee shall indemnify and hold Lessor harmless from and against all such liability.

SECTION SIXTEEN

LESSEE'S DUTY TO INSURE

Lessee, at all times, shall keep the equipment insured in the amount equal to the original selling price of each item of equipment.

Lessor shall be named as a loss payee on all insurance policies. Lessee shall furnish Lessor with a copy of all insurance policies.

SECTION SEVENTEEN

TAXES AND FEES

Lessee shall pay all taxes, assessments, and license and registration fees on the equipment during the term of this lease, and furnish to Lessor satisfactory proof that such payment has been made before such taxes, assessment, or fees become delinquent.

SECTION EIGHTEEN

EVENTS CONSTITUTING DEFAULT

The following events shall constitute default under this lease:

- (a) The nonpayment by Lessee for a period of thirty (30) days by any sum required to be paid by Lessee;
- (b) The non-performance of Lessee of any other covenant or condition of this lease that is not cured within thirty (30) days after notice from Lessor;

- (c) Any affirmative act of insolvency by Lessee, or the filing by Lessee of any petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to debtors;
- (d) The filing of any involuntary petition under any bankruptcy statute against Lessee, or the appointment of any receiver or trustee to take possession of the property of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within thirty (30) days of the date of the filing or appointment; or
- (e) The subject of any Lessee's property to any levy, seizure, assignment, application, or sale for or by any creditor or governmental agency.

SECTION NINETEEN

LESSOR'S RIGHT TO PREVENT DEFAULT

Should Lessee fail to make any payment or do any act as provided in this lease, Lessor shall have the right, but not the obligation without notice to or demand on Lessee, and without releasing Lessee from any obligation, to make or do the same, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien, that in the sole judgment of Lessor appears to affect the equipment, and in exercising in any such rights, incur any liability and expend whatever amounts in Lessor's reasonable discretion it may deem necessary. All expenses so incurred by Lessor shall be, without demand, immediately due and payable by Lessee and shall bear interest at the rate of ten (10%) percent per annum until paid.

SECTION TWENTY

LESSOR'S RIGHT ON DEFAULT

Upon the occurrence of any of the events defined in Section Eighteen as constituting default, Lessor may without notice to or demand on Lessee:

- (a) Take possession of the equipment and lease any portion of it, for such period and such amount, and to such persons, as Lessor shall elect, and apply the proceeds of any such leasing, after deducting all costs and expenses incurred in connection with the recovery, repair, storage, and renting of the equipment in payment of the amounts and other obligations due from Lessee to Lessor under this lease, Lessee remaining responsible for any deficiency: or
- (b) Take possession of the equipment and sell any portion of it at public or private sale, without demand or notice of intention to sell, and apply the proceeds of any such sale, after deducting all cost and expenses incurred in connection with the recovery, repair, storage, and sale of the equipment and any amounts and other obligations of Lessee then due.
- (c) Lessor may, in lieu of the above or in conjunction therewith, pursue any other lawful right or remedy incident to a relationship created by the lease.

SECTION TWENTY-ONE

GOVERNING LAW

This lease shall be governed by and construed under the laws of the State of Tennessee.

SECTION TWENTY-TWO

STATUS OF EQUIPMENT

The equipment leased under this agreement is, and will at all times remain, personal property, even though it or any part of it may now be, or may become, in any manner attached to, or embedded in, or permanently resting on, real property or improvements thereon.

SECTION TWENTY-THREE

OWNERSHIP OF EQUIPMENT

Title to the equipment shall at all times remain in Lessor unless transferred to Lessee by sale, and Lessee shall have only the right to retain the possession of such equipment pursuant to the conditions of the lease. Lessee shall give Lessor immediate notice of any claim, levy, lien, or legal process issued against the equipment.

SECTION TWENTY-FOUR

LIMITATION OF EFFECTS OF WAIVERS

No delay or omission to exercise any right, power, or remedy accruing to Lessor on any breach or default by Lessor under this lease will impair any such right, power, or remedy of Lessor, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default.

SECTION TWENTY-FIVE

ASSIGNMENT

Lessee shall not assign this lease or any equipment leased under the lease, or any interest in this lease or equipment, without Lessor's prior written consent. Lessee shall not sublet the equipment, or any item of it, without Lessor's prior written consent.

This lease may not be assigned by any operation of law.

SECTION TWENTY-SIX

ATTORNEY FEES

In the event that any action is filed in relation to this lease, the unsuccessful party in the action shall pay to the successful party, in addition to all other sums that either party may be called on to pay, a reasonable sum for the successful party's attorney fees.

SECTION TWENTY-SEVEN

SEVERABILITY

If any provision of this lease is invalid, such provision shall be considered deleted from this lease, and shall not invalidate the remaining provisions.

SECTION TWENTY-EIGHT

WARRANTIES

Lessor makes no warranties, express or implied, as to the equipment leased, and assumes no responsibility for its condition.

SECTION TWENTY-NINE

NOTICES

Any notice to be given under this lease shall be mailed to the party to be notified at the address set forth at the beginning of this lease by certified mail, return receipt requested.

SECTION THIRTY

ENTIRE AGREEMENT

This lease agreement constitutes the entire agreement between the parties. Any prior understanding or representation of any kind preceding the date of this lease agreement shall not be binding upon either party except to the extent incorporated in this lease agreement.

SECTION THIRTY-ONE

MODIFICATION OF AGREEMENT

Any modification of this lease agreement shall be binding only if evidenced by a written agreement signed by each party.

SECTION THIRTY-TWO

COUNTERPARTS

This lease agreement may be executed in any number of counterparts, each of which will be deemed to be an original, but all of which together shall constitute the same instrument.

SECTION THIRTY-THREE

HEADINGS

The titles to the paragraphs of this lease agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify, or aide in any interpretation of the provisions of this lease agreement.

IN WITNESS WHEREOF, each party has caused this lease to be executed on this the _____ day of _____, 20_____.

LESSOR:

NICK-O SEWING MACHINE CO., INC.

BY: _____

LESSEE(S):

