

## ARBITRATION AGREEMENT

This contract (the "contract") is executed on the date below by Southern Management Corporation and/or its subsidiary (identified as "Lender" in the Note and Security agreement which I have signed today) ("You" or "Your") and the undersigned Borrower (s) ("I" or "me" or "Borrower"). You and I agree as follows:

1. Definitions. Every term defined in this contract will have the meaning assigned to it in this document. Any other term which is defined in the Note and Security Agreement ("loan agreement"), which I have signed today, will have that same meaning in this contract.
2. Inducement for Loan. I understand that the terms of this contract are part of the loan agreement between us. I also understand that you would not enter into the loan agreement with me unless I agree to the terms of this contract. To induce you to make the loan to me, I agree to the terms of this contract.
3. Class Actions. I will not serve as a class representative or class member in any class action lawsuit against you. You may stop such a lawsuit in court or have me removed as a participant from such a lawsuit.
4. Arbitration. Any dispute between us, with the exception of those outlined below, will be subject to arbitration. You and I waive our rights to have disputes resolved in court by a judge or jury. Examples of such disputes include, but are not limited to, the following:
  - (a) that the loan agreement is void based upon alleged unconscionability, fraud, duress, illegality, or any other grounds;
  - (b) that I never entered into a loan agreement or this contract;
  - (c) that you or your employees or agents have engaged in unconscionable collection practices; or
  - (d) that you or your employees or agents have committed tortious acts, including but not limited to infliction of emotional distress, invasion of privacy, libel, or assault and battery.
5. Exceptions to Arbitration. Certain disputes are not subject to arbitration. We are not required to arbitrate claims of less than \$1,500. If either of us files a claim of less than \$1,500 in court, and another claim is added that causes the total amount claimed by you or me to exceed \$1,500, then all claims must be arbitrated. If I default in payment under the loan agreement, you may repossess collateral for the loan.
6. Procedure for Arbitration. Arbitration will be initiated by filing a claim with the American Arbitration Association ("AAA"). The rules of AAA will apply unless inconsistent with this contract. You and I will pay filing fees or administrative fees based upon the consumer arbitration rules of AAA. If this contract is signed in Texas, I will not be responsible for any fees associated with arbitration. You will not be responsible for any of my attorney fees or any expert witness fees. Arbitration will take place in the state and county in which I signed the loan agreement. You and I will be the only parties to arbitration. If you and I can agree on a single arbitrator, we will use only one arbitrator. If you and I cannot agree on a single arbitrator, there will be three arbitrators. In that case, you and I will each select one arbitrator. The third arbitrator will be selected by the two arbitrators we have selected.
7. Arbitration is Binding. Arbitration will be binding on both of us. Arbitration may not be appealed. Arbitration will not be subject to review by a court except: (a) on the grounds set forth in 9 US Code § 10; or (b) on the grounds that the arbitration decision is manifestly inconsistent with the loan agreement or governing law.
8. Applicable Law. The loan agreement involves interstate commerce. 9 US Code §§ 1-16 will govern this contract, and the laws of the state in which I signed the loan agreement will determine matters of state law.
9. Severability. Any portion of this contract found to be void or unenforceable will be severed from the rest of the contract. The remaining portion of the contract will be given full force and effect. The severed portion will be replaced by language that is enforceable. The new language will be given the same meaning as the severed portion as much as possible.

Each borrower will read this contract thoroughly before he or she signs it. It limits certain borrower's rights, including borrower's right to seek remedies in court and to have claims decided by a judge or jury. If a borrower does not understand this contract, the borrower should not sign this contract but should seek legal advice.

ORIGINAL CREDITOR'S COPY