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RECORDATION NO. Filed & Recorded

LEASE AGREEMENT

SEP 5 1972 -11 25 AM

STATE COMMERCIAL COMMISSION

Lease made in the Commonwealth of Pennsylvania as of the 30th day of August, 1972, by and between INDUSTRIAL VALLEY BANK AND TRUST COMPANY, 410 Old York Road, Jenkintown, Pennsylvania (hereinafter referred to as "Lessor") and RICHARDSON DILWORTH and ANDREW L. LEWIS, JR., Trustees of the property of Reading Company, Debtor (hereinafter referred to as "Lessee" or "Trustees").

The parties hereto, intending to be legally bound hereby agree as follows:

1. Lessor leases to Lessee, and Lessee leases from Lessor, the personal property (hereinafter referred to collectively as the "Equipment" and individually as "Unit" or "Units") listed below.

| <u>Quantity</u> | <u>Description of Equipment</u> |
|-----------------|--|
| One | Plasser Universal Duomatic 06-32-SLC Tamper Liner |
| Two | 16 Tool Electromatic Switch Tampers |
| One | Model 40 Burro Crane |
| Two | 160 CFM Trailer Type Air Compressors |
| Two | Ingersoll - Rand 36 CFM Portable Air Compressors |
| Two | DW Ballast Cribbers |

together with any parts, mechanisms and devices relating thereto or used in connection therewith, attached to or delivered with the Equipment or thereafter attached to or used in connection therewith. The Equipment is and will remain the personal property of the Lessor, and Lessee will not remove the Equipment from the Commonwealth of Pennsylvania, the State of New Jersey and the State of Delaware without the prior written consent of the Lessor. Lessee will mark each item of Equipment as property leased from Lessor.

2. The term of this lease shall commence for each Unit upon receipt by the Lessor from the Lessee of an acceptance letter stating that such Unit of Equipment has been received by Lessee, tested and installed, if necessary, and has been accepted for use. Delivery of all of the Equipment will be made to the Lessee prior to November 1, 1972. This lease shall terminate for all Units on October 31, 1979.

3. The Lessee shall pay rental to the Lessor monthly in an amount equivalent to 1.40165% of the total price of the Equipment as stated herein, or as mutually agreed by the parties hereto, such payments to begin on November 1, 1972, and end on October 1, 1979, and are to be made not later than the fifth business day of each month. As each Unit is accepted by Lessee and paid for by Lessor, Lessee shall commence paying monthly rental in advance to November 1, 1972, consisting of a percentage of such total price for such Unit, equivalent to 1/4 of 1% above the current prime rate of Industrial Valley Bank and Trust Company.

4. (a) It is understood and agreed that Lessor may assign this lease and/or mortgage the Equipment, and that any assignee or mortgagee thereof may reassign the same. All rights of Lessor hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of, either in whole or in part, without notice to or consent of the Lessee. If Lessor assigns this lease or the rentals due, or to become due, hereunder or any other interest herein, whether as security for any of its indebtedness or otherwise, Lessee agrees, after written notice of such assignment has been given by Lessor or such assignee to Lessee, that this agreement may not be terminated and the terms and provisions thereof may not be altered, modified or waived without the prior written consent of the assignee. Lessee further agrees unconditionally after such notice, to pay to the assignee the rentals, or amounts equal to such rentals, and all other sums which may be due, or become due, hereunder directly to such assignee, if so requested in writing by Lessor, notwithstanding any of the terms of this lease which might relieve the Lessee from the payment of rentals hereunder, or the termination of this lease for any reason, or any other event whatsoever including without limitation the bankruptcy or insolvency of the Lessor, or any assignee thereof, and notwithstanding any defense, set off or counterclaim whatsoever whether by reason of breach of this lease or otherwise, which Lessee may or might now or hereafter have as against Lessor, Lessee reserving its rights to have recourse directly against Lessor on account of any such defense, set off or counterclaim.

Lessee's undertaking with respect to any such assignee of Lessor shall constitute a direct, independent and unconditional obligation of Lessee to such assignee. The receipt by such assignee of such payments shall discharge the obligations of Lessee to Lessor hereunder to the extent thereof.

(b) All rights, powers and privileges of Lessor hereunder shall be succeeded to by the assignee under any assignment, it being understood and agreed that any such assignee does not assume any obligations of the Lessor. Lessee agrees to execute any and all reasonable documents including, but not limited to, consent to assignment, presented to it by Lessor to enable Lessor to effect the foregoing.

5. Lessee will use, operate and maintain the Equipment in conformity with all applicable laws and regulations relating to the ownership, possession, use or maintenance thereof, and will indemnify Lessor against actual or asserted violations thereof, and will pay all costs and expenses of every character occasioned by or arising out of the use or loss of use of any of the Equipment, and will pay promptly when due all taxes and other public charges against or upon any of the Equipment, and will keep the Equipment free and clear of all liens, charges and claims of any third person or persons, public or private, whatsoever, except liens, charges and claims of Lessor and its assignee.

6. LESSOR HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR

IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, FITNESS, CONDITION, QUALITY, DURABILITY OR SUITABILITY OF ANY UNIT FOR LESSEE'S PURPOSES, OR ANY OTHER REPRESENTATION, WARRANTY, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED EQUIPMENT OR ANY PART THEREOF, AND LESSEE HEREBY DISCLAIMS ANY AND ALL LIABILITY OF LESSOR WITH RESPECT THERETO. Lessor shall not be liable or responsible to Lessee for any damage, defect, failure to meet specifications, late delivery, failure to deliver or shortage in respect to any item leased hereunder, or for failure of the supplier to properly install or assemble any Unit, or for failure of the supplier thereof for any reason whatsoever, to comply with terms of any purchase order, or for the failure of the Equipment to operate as represented or warranted by the supplier. If the Equipment is unsatisfactory for any reason, Lessee shall make claim on account thereof solely against supplier and shall nevertheless pay Lessor all rent payable under this lease. Lessor hereby assigns to Lessee solely for the purpose of making and prosecuting any such claim against supplier all of the rights which Lessor has against supplier for breach of warranty or other representation respecting the Equipment, including responsibility to meet specifications. Lessee agrees that Lessor shall not be liable or responsible to Lessee for any claim, loss, damage, liability or expense of any kind or nature caused, directly or indirectly, by the leased Equipment or any part thereof, or the inadequacy thereof for any purpose, or any defect or deficiency therein, or the use, operation, or storage thereof,

or the interruption or loss of the service or use thereof, or arising from any other reason or cause whatsoever relating to or concerning the leased Equipment, or any part thereof.

7. (a) Lessee assumes all risks and liability, whether or not covered by insurance but subject to the provisions of sub section (c) of this Section 7, for loss or damage to the Equipment and for injuries or deaths of persons and damage to property, howsoever arising from or incident to the use, operation or storage of the Equipment leased hereunder, whether such persons be agents or employees of the Lessee or third parties, and whether such property be of Lessee or of others. Lessee agrees to indemnify, save and hold Lessor harmless from all losses, damages, claims, penalties and expenses, including attorneys' fees, howsoever arising or incurred because of or incident to any item or the real or alleged use, operation or storage thereof.

(b) Lessee shall, at its own expense, keep the Equipment insured against "All risk" of loss or damage for not less than the unpaid balance of the lease rentals due hereunder or 80% of the then fair market value of said Equipment, whichever is higher, with, at Lessee's option a 2% deductible provision. Lessee agrees to have Lessor named as an additional insured, with respect to the equipment, on the liability insurance policies which Lessee normally carries covering use and operation of railroad equipment.

(c) All such insurance shall be in form and with companies approved by Lessor, and "All risk" insurance referred to above shall be in the joint names of Lessor and Lessee as their respective interests may appear.

Lessee shall pay the premiums therefor and deliver to Lessor certificates with respect to said policies. Each insurer shall agree by endorsement upon the policy or policies issued by it or by independent instrument furnished to Lessor, that it will give Lessor ten (10) days' written notice before the policy in question may be altered or cancelled. The proceeds of such insurance shall be paid to Lessor, and at the option of Lessee, shall be applied (a) toward the replacement, restoration or repair of the lost or damaged Unit, or (b) toward payment of the obligations of Lessee hereunder. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks or drafts for loss or damage under any said insurance policy.

8. No loss or damage to the Equipment or any part thereof, shall impair any obligation of Lessee under this lease which shall continue in full force and effect, except as hereinafter provided in this Section 8. If any Unit is determined by Lessor to be lost, stolen, destroyed or damaged in whole or in part, Lessee at its option and at its expense, shall within thirty (30) days; (i) place the same in good repair, condition and working order, or (ii) replace the same with a like Unit in good repair, condition or working order and deliver to Lessor a bill of sale covering the replacement Unit; or (iii) pay Lessor in cash the balance of the total price of such lost, stolen, destroyed or damaged Unit not theretofore included in rental paid by Lessee, plus 17% of the purchase price of said

Unit so determined as and for liquidated damages for the loss or destruction thereof, and in such event this lease shall thereupon terminate as to such Unit only and the rental payable under this lease for the remaining Units, shall be reduced in direct proportion to the relationship between the said values of the Unit so lost, stolen, destroyed or damaged beyond repair, and the total price of Equipment covered by this lease.

9. Lessee shall pay all taxes of every kind and nature imposed or levied by any taxing authority in connection with the ownership of the Equipment by Lessor, the leasing, use, possession and operation of Equipment and payment of rentals therefor, including, but not limited to, all federal, state and local taxes and other governmental charges, however designated, levied or assessed upon the Lessee and Lessor or either of them or said Equipment, or upon the use or operation thereof, sales or use taxes, allocable privilege or allocable franchise taxes measured by or based on gross revenue of the Lessee, personal property taxes assessed on the Equipment or the Lessor, but excluding Lessor's federal, state and local income taxes and income and franchise taxes imposed on Lessor. Lessee shall prepare and timely file all personal property tax returns, failing which Lessor may file the same at its option. If Lessee does not pay any of such taxes and Lessor becomes obligated to, or at its option, pays the same, the Lessee shall pay the Lessor the amount thereof on demand, together with any penalties or interest thereon, all with interest at the rate of six (6%) per annum beginning from the date Lessor makes

such payment, as well as reasonable costs incurred by Lessor in collecting such taxes, and the same shall be deemed additional rent, provided that before Lessor shall pay any such tax it shall provide Lessee with a reasonable opportunity to contest the propriety of the tax in good faith. Lessee shall provide all permits and licenses necessary for the installation, operation and use of the Equipment or any parts thereof. Lessee will comply with all laws, regulations and ordinances applicable to the installation, use, possession and operation of the Equipment. If compliance with any ordinance, rule, regulation or permit by any governmental agency, requires changes or additions to be made on or to the aforesaid Equipment, such changes or additions shall be made by the Lessee at its own expense.

10. The Lessee will pay all installation costs with respect to each item of Equipment. The Lessee will maintain each Unit of Equipment, and all additions, attachments, and accessories in good mechanical condition and running order at all times during this agreement, but shall not be responsible for normal wear and tear, or depreciation. All additions, attachments, accessories, and repairs at any time made to or placed upon the Equipment shall become part of the Equipment and shall be property of the Lessor. The Lessor shall have no responsibility for the maintenance of any item of equipment after it is delivered to and accepted by the Lessee and before it is redelivered to the Lessor as herein provided. The Lessor, however, shall deliver to the Lessee a copy of any warranty agreement it may receive from the manufacturer of any item

of Equipment, but the Lessee shall comply with all the conditions of such warranty required to be performed by the Lessor.

11. Except as hereinafter provided in this Section 11, Lessee will not assign, transfer, pledge or hypothecate this lease, the Equipment or any part thereof or any interest therein, nor shall Lessee sublet or lend the Equipment or any part thereof, or permit the Equipment or any part thereof to be used by anyone other than Lessee or Reading Company. Notwithstanding any provision in this agreement to the contrary, Trustees and their successors and assigns shall have the right to assign this agreement pursuant to any plan of reorganization of Debtor or other disposition of all or substantially all of Debtor's railroad property pursuant to order of the court having jurisdiction in the premises whereupon the Trustees, their successors and assigns, shall thereafter have no obligation hereunder arising after such assignment.

12. In the event Lessee shall default in the payment of any rent, additional rent, or any other sums due hereunder for a period of ten (10) days, or in the event of any default or breach of any other term or condition of this lease, or if any execution or other writ or process shall be issued in any action or proceeding against the Lessee whereby the said Equipment may be taken or distrained, then and in any such event, Lessor and its assignee shall have all remedies available to it at law or in equity, including, without limitation the following: all rentals due, or to become due, under this lease, shall immediately become due and payable

at the option of the Lessor without notice or demand. The Lessor or its representative may enter the premises where any of the Equipment may be located and take and carry away the same with or without legal process. Lessor may sell the goods at public or private sale, whether or not the Equipment is present at such sale and whether or not the Equipment is in constructive possession of the Lessor or the person conducting the sale, in one or more sales, as an entity or in parcels, for the best price that the Lessor can obtain, and upon such terms as the Lessor may deem desirable. The Lessor hereof may be the purchaser on any such sale. The Lessor may require Lessee to pay all expenses of such sale, taking, keeping and storage of the goods, including reasonable attorneys' fees. The Lessor shall apply the proceeds of such sale to all expenses in connection with the taking and sale of the Equipment, and any balance of such proceeds may be applied toward the payment of the rentals or other sums due, or to become due, hereunder in such order of application as the Lessor may from time to time elect. Upon Lessor's demand, Lessee agrees, at Lessee's expense, to deliver the Equipment to a place on the railroad of Reading Company within 150 miles of Philadelphia, Pennsylvania, designated by Lessor. If the proceeds of any such sale are insufficient to pay the expenses as aforesaid and the rentals or other sums due, or to become due, hereunder, the Lessee agrees to pay any deficiency to the Lessor upon demand.

If attorneys are retained to undertake collection, Lessee agrees to pay reasonable attorneys' fees, if allowed by law.

Whenever any payment, other than payments under Section 9 hereof, is not made when due hereunder, Lessee promises to pay to Lessor or its assignees not later than one month thereafter interest calculated at the rate of 10% per annum on the amount of each such delayed payment, if allowed by law. In the event of litigation of any matter connected with this lease or resulting from transactions hereunder, the right of a trial by jury is hereby waived by the Lessee.

13. Lessee will pay all transportation, rigging and drayage charges from the supplier to Lessee.

14. At the end of the term of this lease set forth in Article 2 hereof, Lessee shall at the request of Lessor, but at Lessor's expense, deliver the Equipment to a place on the railroad of Reading Company within 150 miles of Philadelphia, Pennsylvania, designated by Lessor; provided, however, that if Lessee is not in default hereunder it may, by written notice delivered to the Lessor not less than 3 months prior to the end of the term of this lease, elect to purchase all, but not fewer than all, of the Units of the Equipment covered by this lease at the end of such term for a purchase price equal to the "fair market value" of such Units as of the end of such term.

15. This is not a sale, but a form of lease agreement. This agreement contains the entire understanding between the parties hereto and may not be modified except in writing signed by Lessee and Lessor or its

latest successor or assignee, if any. This lease agreement is to be governed in all respects by the laws of the Commonwealth of Pennsylvania.

16. All notices given hereunder shall be by personal service or by certified or registered mail directed to the parties as follows:

if to Lessor;

Industrial Valley Bank and Trust Company
Attention: Thomas Darlington, Assistant Vice President
1700 Market Street
Philadelphia, Pennsylvania 19103

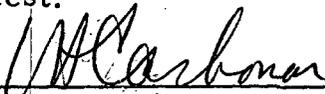
if to Lessee:

Richardson Dilworth and Andrew L. Lewis, Jr., Trustees
Attention: Secretary and Treasurer, Reading Company
Reading Terminal
Philadelphia, Pennsylvania 19107

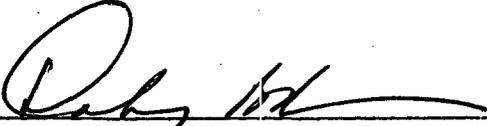
IN WITNESS WHEREOF, the parties hereto have executed this lease as of the day and year first above written.

INDUSTRIAL VALLEY BANK
AND TRUST COMPANY
(LESSOR)

Attest:



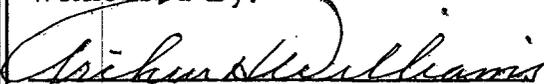
V. A. CARBONAR
ASST. SECRETARY

By 

DABNEY B. BENSON, ASST. VICE PRESIDENT

RICHARDSON DILWORTH AND
ANDREW L. LEWIS, JR., TRUSTEES
OF THE PROPERTY OF READING
COMPANY, DEBTOR
(LESSEE)

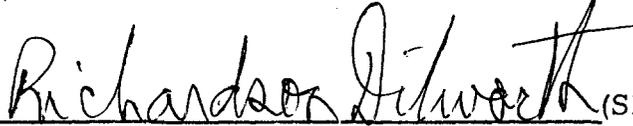
Witnessed By:



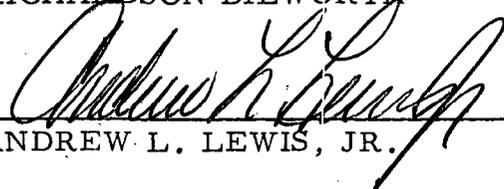
Richard Williams



Richard Williams



RICHARDSON DILWORTH (SEAL)



ANDREW L. LEWIS, JR. (SEAL)