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RECORDATION NO. _____ Filed & Recorded

JUN 2 1971 - 5 42 PM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of May 1, 1971

among

SEGAR FOUR CORPORATION,

SEGAR FOUR LEASING COMPANY,
a District of Columbia limited partnership

and

READING COMPANY

Filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act on _____, at _____, Recordation No.

CONDITIONAL SALE AGREEMENT dated as of May 1, 1971, among SEGAR FOUR CORPORATION, a Delaware corporation (hereinafter called the Vendor, as more particularly set forth in Article 27 hereof), SEGAR FOUR LEASING COMPANY, a District of Columbia limited partnership (hereinafter sometimes called the Company), and READING COMPANY, a Pennsylvania corporation (hereinafter sometimes called the Guarantor).

WHEREAS the Vendor has agreed to sell and deliver to the Company, and the Company has agreed to purchase, the railroad equipment described in Annex A hereto (hereinafter called the Equipment);

WHEREAS the Company is executing a lease of the Equipment as of the date hereof to Reading Company, as lessee (hereinafter, in such capacity, sometimes called the Lessee) in substantially the form annexed hereto as Annex B (hereinafter called the Lease), and the Guarantor is willing to guarantee to the Vendor the due and punctual payment of certain sums payable by, and the due and punctual performance of all other obligations of, the Company under this Agreement, except as otherwise stated herein, and has joined in this Agreement for the purpose of setting forth the terms and conditions of such guaranty and making certain further agreements as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. *Purchase and Sale.* Pursuant to this Agreement, the Vendor will sell and deliver the Equipment to the Company and the Company will purchase and accept delivery of and pay for the Equipment, each unit of which will be constructed in accordance with the specifications referred to in Annex A hereto and in accordance with such modifications thereof as may have been agreed upon in writing by the Vendor, the Company and the Guarantor (which specifications and modifications, if any, are hereinafter called the Specifications).

ARTICLE 2. *Delivery.* The Vendor will deliver the various units of the Equipment to the Company at the point specified in, and in accordance with, the delivery schedule set forth in Annex A hereto.

Any Equipment not delivered, accepted and settled for pursuant to Article 3 hereof on or before November 1, 1971, shall be excluded from this Agreement and not included in the term "Equipment".

The Equipment shall be subject to inspection and approval prior to delivery by an inspector or other authorized representative of the Company, who shall be independent of the Company and of the Guarantor. Prior to delivery of each unit of the Equipment, such inspector or representative shall execute and deliver to the Vendor a certificate of acceptance stating that such unit has been inspected and accepted on behalf of the Company, and the Lessee, conforms to the Specifications and to Department of Transportation requirements and is marked in accordance with the provisions of Article 9, hereof; *provided, however,* that the delivery by the Guarantor to the Vendor of the

Certificates of Acceptance called for by Section 1 of the Lease (hereinafter called Certificates of Acceptance) shall be deemed to fully satisfy the foregoing requirement if the party executing any such Certificate of Acceptance as the Company's representative shall be independent as specified in this Article 2.

On delivery of each of the units of Equipment hereunder and acceptance thereof on behalf of the Company as aforesaid, the Company assumes with respect thereto the responsibility and risk of loss.

ARTICLE 3. *Purchase Price and Payment.* The "Purchase Price" per unit of the Equipment is set forth in Annex A hereto (hereinafter called the Purchase Price).

Settlements for units of the Equipment shall be held on such dates as shall be mutually agreed upon by the Guarantor and the Vendor as provided herein, and shall consist of all units of the Equipment for which invoices and Certificates of Acceptance have been presented by the Vendor to the Company at least five business days prior to any such date (or such lesser number of days as may be agreed to by the Company). The Guarantor shall give notice to the Vendor and the Company of each date so fixed for each settlement for Equipment (herein called a Closing Date), describing the units then to be settled for (herein called a Group) and the Purchase Price thereof, not less than five business days prior to the Closing Date designated therein.

The Company hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) On the Closing Date with respect to each Group, an amount equal to 20% of the Purchase Price of the units of Equipment for which settlement is then being made; and

(b) In consecutive semiannual instalments, as hereinafter provided, an amount equal to the balance of the Purchase Price of such Group.

The aggregate Purchase Price of all Groups payable pursuant to subparagraph (b) of the preceding paragraph is herein called the Conditional Sale Indebtedness and the principal amount thereof and interest thereon shall be payable in semiannual instalments as set forth in Annex C attached hereto.

The Company will pay interest at the rate of 11½% per annum (to the extent legally enforceable) upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement shall be made in such coin and currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Company shall not have the privilege of prepaying the Conditional Sale Indebtedness prior to the dates it becomes due.

ARTICLE 4. *Title to the Equipment.* The Vendor shall and hereby does retain the full legal title to and property and a security interest in the Equipment until the Company shall have made all the payments hereunder and shall have kept and performed all

its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Company or the Guarantor as herein provided. All additions to the Equipment, and any and all replacements of the Equipment and of parts thereof shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

Except as otherwise specifically provided in Article 5 hereof, when and only when the Vendor shall have been paid the full amount of the Purchase Price of all the Equipment, together with interest and all other payments as herein provided, and all the Company's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Company without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Company, will execute appropriate instruments confirming such passage of title free of all liens, security interests and other encumbrances created or retained hereby and deliver such instruments to the Company and will execute in the same manner and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instruments as may be necessary or appropriate in order then to make clear upon the public records the title of the Company to the Equipment. The Vendor will also at such time pay to the Company any money paid to the Vendor pursuant to Article 5 hereof and not theretofore applied as therein provided.

The Company hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such instruments or to file such certificates within a reasonable time after written demand of the Company.

ARTICLE 5. *Casualty Occurrences.* In the event that the Company shall receive a payment with respect to any unit of the Equipment under Section 11.2 of the Lease, the Company shall concurrently pay to the Vendor a sum equal to the Casualty Value (as hereinafter subsequently defined) of such unit suffering a Casualty Occurrence (as defined in Section 11 of the Lease) as of the date of such payment and shall file with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied to the prepayment of Conditional Sale Indebtedness on the date of such payment.

Upon payment by the Company to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Company, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Company, will execute and deliver to the Company, at the expense of the Company, an appropriate instrument confirming such passage to the Company of title to and property in such unit, in recordable form, in order that the Company may make clear upon the public records the title of the Company to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be that portion of the original Purchase Price thereof remaining unpaid on the date as of which such Casualty Value shall be determined (after giving effect to payments otherwise to be made on such date).

In the event that any Item of Substitute Equipment (as defined in subsection 11.9 of the Lease) becomes subject to the Lease, it shall, without more, become a unit of Equipment subject to all of the provisions of this Agreement. The parties hereto shall contemporaneously execute an amendment to this Agreement substituting in Annex A hereto the Items of Substitute Equipment for those units of Equipment which suffered a Casualty Occurrence and in respect of which payment of the Casualty Value would otherwise be payable. Guarantor shall, at its expense, record such amendment in conformity with the requirements of Article 21 hereof.

ARTICLE 6. *Obligations of Guarantor.* The Guarantor, for value received, and intending to be legally bound, hereby unconditionally guarantees to the Vendor the due and punctual payment of the Conditional Sale Indebtedness and interest thereon, and the due and punctual performance of all obligations of the Company and the due and punctual payment of any and all sums payable by the Company under this Agreement (except for the sums payable by the Company pursuant to subparagraph (a) of the third paragraph of Article 3 hereof) when due, whether at stated maturity or by declaration or otherwise, and in case any such payments or obligations are not so made or performed the Guarantor agrees punctually to pay or perform the same, irrespective of any enforcement against the Company of any of the rights of the Vendor hereunder and without requiring pursuance of any remedy available to Vendor or any assignee of Vendor for the enforcement of any obligation, or part hereof, assumed hereunder by Guarantor.

The Guarantor hereby agrees that its obligations hereunder shall be unconditional (and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever) irrespective of the genuineness, validity, regularity or enforceability of this Agreement or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor and irrespective of any circumstances which might limit the recourse of the Vendor to the Company. The Guarantor hereby waives diligence, presentment, demand of payment, notice of dishonor, protest, any notice of any assignment hereof in whole or in part or of any default hereunder and all notices with respect to this Agreement and all demands whatsoever hereunder. No waiver by the Vendor of any of its rights hereunder and no action by the Vendor to enforce any of its rights hereunder or failure to take, or delay in taking, any such action shall affect the obligations of the Guarantor hereunder.

In the event that the Guarantor shall make any payments to the Vendor on account of its guaranty hereunder, the Guarantor hereby covenants and agrees that it shall not acquire any rights, by subrogation or otherwise, against the Company or with respect to any of the units of the Equipment by reason of such payments, all such rights being hereby irrevocably released, discharged and waived by the Guarantor; *provided, however*, that after the payment by the Guarantor to the Vendor of all sums payable under this Agreement, the Guarantor shall, by subrogation, be entitled to the rights of the Vendor against the Company by reason of such payment.

ARTICLE 7. *Maintenance and Repairs.* The Company agrees that, at its own cost and expense, it will maintain and keep each unit of the Equipment in good order and repair. The Company will not assign or permit the assignment of any unit of the Equipment to service involving the regular operation and maintenance thereof outside the United States of America and any use of any unit of the Equipment outside the United States of America will be limited to incidental and temporary use.

ARTICLE 8. *Reports and Inspections.* On or before April 1 in each year, commencing with the year 1972, the Company will cause to be furnished to the Vendor and to Girard Trust Bank, Agent under a Finance Agreement dated as of May 1, 1971 between Girard Trust Bank and certain other parties thereto (the "Finance Agreement"), or any successor agent to Girard Trust Bank, an accurate statement as of the preceding January 1, (a) showing the amount, description and numbers of the Equipment then covered hereby, the amount, description and numbers of all units of the Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of delivery hereunder of the Equipment, in the case of the first such statement), and such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request, and (b) stating that, in the case of all units of the Equipment repainted or repaired during the period covered by such statement, the markings required by Article 9 hereof have been preserved or replaced.

ARTICLE 9. *Identification Marks.* The Company will cause each accepted unit of the Equipment to be kept numbered with its identifying number as set forth in Annex A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such unit, in letters not less than one inch in height, the words, "OWNED BY SEGAR FOUR LEASING COMPANY, AND SUBJECT TO A SECURITY INTEREST OF GIRARD TRUST BANK, AGENT, RECORDED WITH THE ICC," or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Vendor to such unit and the rights of the Vendor under this Agreement. The Company will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such names and word or words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such names and word or words which may be removed, defaced or destroyed. The Company will not permit the identifying number of any unit of Equipment to be changed except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

Except as above provided, the Company will not allow the name of any person, association or corporation to be placed on any units comprising the Equipment as a designation that might be interpreted as a claim of ownership; *provided, however*, that the Company may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Company or the Guarantor or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the interests of the Company and the Guarantor therein.

ARTICLE 10. *Taxes.* All payments to be made by the Company hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state or federal taxes (other than net income, gross receipts, excess profits and similar taxes [except gross receipts taxes in the nature of or in lieu of sales taxes]) license fees, charges, fines or penalties of any kind (hereinafter called "impositions") hereafter levied or imposed upon, or in connection with, or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which impositions the Company assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Company will also pay promptly all impositions which may be imposed upon the Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the title of the Vendor or result in a lien upon any unit of the Equipment; *provided, however,* that the Company shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor hereunder. If any such impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Company shall reimburse the Vendor on presentation of invoices therefor.

ARTICLE 11. *Compliance with Laws and Rules.* During the term of this Agreement, the Company will comply, and will cause any lessee of the Equipment to comply, in all respects with all laws of the jurisdictions in which operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Interstate Commerce Commission, the Department of Transportation and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the operation or use of the Equipment; and in the event that such laws or rules require the alteration of the Equipment, the Company will conform therewith, at its expense, and will maintain the same in proper condition for operation under such laws and rules; *provided, however,* that the Company may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor hereunder.

ARTICLE 12. *Possession and Use.* The Company, so long as it shall not be in default under this Agreement, shall be entitled, from and after delivery of the Equipment by the Vendor to the Company, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The Company may lease the Equipment to the Lessee or its assigns as permitted by, and for use as provided in, the Lease; *provided, however,* and the Lessee hereby so acknowledges, that if and only if the Lessee shall be in default under the Lease or in respect of any of its obligations contained in Article 6 hereof or in any other provision of this Agreement, the rights of the Lessee and its permitted assigns under the Lease shall be

subordinated and junior in rank to the rights, and shall be subject to the remedies of, the Vendor under this Agreement. The Company hereby agrees that it will not exercise any of the remedies provided in the case of an Event of Default under and as defined in the Lease unless it shall notify the Vendor in writing of its intended exercise thereof, and hereby further agrees to furnish to the Vendor copies of all summonses, writs, processes and other documents served by it upon the Lessee or served by the Lessee upon it in connection therewith.

So long as no event of default shall have occurred and be continuing hereunder, the Company shall be entitled to the possession and use of the Equipment and the Equipment may be used upon the lines of railroad owned or operated by the Lessee (or any other railroad company approved by the Vendor) or upon lines of railroad over which railroad equipment of the Lessee has trackage or other operating rights or over which railroad equipment of the Lessee is regularly operated pursuant to contract, trackage or other operating rights and the Equipment may be used upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Agreement. The Company may also lease the Equipment to any other railroad company with the prior written consent of the Vendor, provided that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement.

ARTICLE 13. *Prohibition Against Liens.* The Company will pay or satisfy and discharge any and all sums claimed by any party by, through or under the Company or its successors or assigns which, if unpaid, might become a lien, charge or security interest upon the Equipment, or any unit thereof, equal or superior to the title of the Vendor thereto, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor hereunder.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

ARTICLE 14. *Indemnities.* The Company and the Guarantor agree to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including counsel fees, arising out of retention by the Vendor of title to the Equipment, or out of the use and operation thereof during the period when title thereto remains in the Vendor. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price and the conveyance of the Equipment, as provided in Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

The Company will bear the risk of, and shall not be released from its obligations

ARTICLE 23. *Notice.* Any notice hereunder to any party designated below shall be deemed to be properly served if delivered or mailed to it at its chief place of business at the following specified addresses:

(a) the Company: 1700 Pennsylvania Avenue, N.W., 10th Floor, Washington, D.C. 20006, Attention: Mr. William T. McInarnay;

(b) the Guarantor: 12th and Market Streets, Philadelphia, Pennsylvania 19107, Attention: Vice-President-Finance.

(c) The Vendor: 1700 Pennsylvania Avenue, N.W., 10th Floor, Washington, D.C. 20006, Attention: Mr. William T. McInarnay;

(d) any assignee of the Vendor, or of the Company: such address as may have been furnished in writing to the Company, or the Vendor, as the case may be, and to the Guarantor, by such assignee;

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 24. *Immunities.* No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against (i) any incorporator, stockholder, director or officer, past, present or future, of the Guarantor or the Vendor, (ii) any assets of the partners of the partnership which is the Company other than the assets which they have contributed to the partnership assets of the Company in accordance with the governing instruments thereof, or (iii) any principal or principals (disclosed or undisclosed) of the Vendor if the Vendor is acting in an agency capacity, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of incorporators, stockholders, directors, officers or principals, or as to such assets of such partners, being forever released as a condition of and as consideration for the execution of this Agreement.

ARTICLE 25. *Effect and Modification of Agreement.* This Agreement and the Annexes annexed hereto exclusively and completely state the rights and agreements of the Vendor, the Company and the Guarantor with respect to the Equipment and supersede all other agreements, oral or written, with respect to the Equipment. No variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Vendor, the Company and the Guarantor.

ARTICLE 26. *Law Governing.* The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; *provided, however,* that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording, registering or depositing hereof and of any assignment hereof and out of the

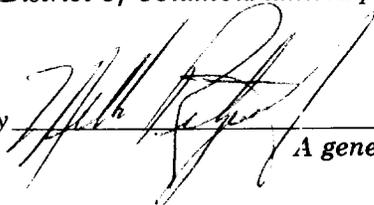
marking on the Equipment as shall be conferred by the laws of the several jurisdictions in which the Equipment may be located and in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.

ARTICLE 27. *Definitions.* The term "Vendor", whenever used in this Agreement, means, before any assignment of any of its rights hereunder, Segar Four Corporation, a Delaware corporation, and any successor or successors for the time being to its properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor or assignors as regards any rights hereunder that are retained or excluded from any assignment.

ARTICLE 28. *Execution.* This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of May 1, 1971, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

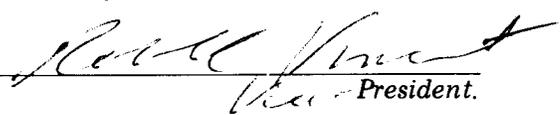
IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this instrument to be executed as of the date first above written.

SEGAR FOUR LEASING COMPANY,
a District of Columbia limited partnership

by 
A general partner.

SEGAR FOUR CORPORATION

[CORPORATE SEAL]

by 
Vice President.

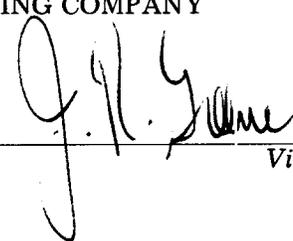
Attest:


Secretary.

APPROVED
AS TO FORM

READING COMPANY

[CORPORATE SEAL]

by 
Vice President.

Attest:


Secretary.

~~COMMONWEALTH OF PENNSYLVANIA~~
~~COUNTY OF PHILADELPHIA~~

SS. :

On this 1st day of June, 1971, before me personally appeared Melvin Ritzberg, to me known to be a general partner of SEGAR FOUR LEASING COMPANY, the partnership mentioned and described in, and who executed the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for and on behalf of and with the authority of said partnership of SEGAR FOUR LEASING COMPANY.

[NOTARIAL SEAL]

[Signature]
Notary Public

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA }

SS. :

On this 1st day of June, 1971, before me personally appeared J R GREENE, to me personally known, who, being by me duly sworn, says that he is a Vice President of READING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires January 17, 1974

[Signature]
Notary Public

State of New York
~~COMMONWEALTH OF PENNSYLVANIA~~
~~COUNTY OF PHILADELPHIA~~

SS.:

On this 2nd day of June, 1971, before me personally appeared Robert C. Vincent, to me personally known, who, being by me duly sworn, says that he is the President of SEGAR FOUR CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

[Signature]
Notary Public

ROBERT C. VINCENT
Notary Public
Philadelphia, Pennsylvania
My Commission Expires January 17, 1974

necessary facilities at any reasonably convenient point or points selected by the Vendor. This agreement to deliver the Equipment as hereinbefore provided is of the essence of this Agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Company and/or the Guarantor requiring specific performance hereof. The Company and the Guarantor hereby expressly waive any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 18 provided) may at its election and upon such notice as hereinafter set forth retain the Equipment in satisfaction of the entire indebtedness in respect of the Purchase Price of the Equipment and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Company and the Guarantor by telegram or registered mail, addressed as provided in Article 23 hereof, and to any other persons to whom the law may require notice, within 30 days after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable. In the event that the Vendor should elect to retain the Equipment, and no objection is made thereto within the 30-day period described in the second proviso below all rights of the Company in the Equipment will thereupon terminate and all payments made by the Company or the Guarantor may be retained by the Vendor as compensation for the use of the Equipment; *provided, however*, that if the Company, before the expiration of the 30-day period described in the proviso below should pay or cause to be paid to the Vendor the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Company; and *provided, further*, that if the Company or any other person notified under the terms of this paragraph shall object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law.

The Vendor with or without the retaking of possession thereof at its election and upon reasonable notice to the Company, the Guarantor and to any other persons to whom the law may require notice of the time and place, may sell the Equipment, or any unit thereof, free from any and all claims of the Company, or of any other party (including the Guarantor) claiming by, through or under the Company, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; *provided, however*, that if prior to such sale or prior to the making of a contract for such sale, the Company should tender full payment of the entire indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses

of the Vendor in retaking, holding and preparing the Equipment for disposition and arrangement for the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title and property in the Equipment shall pass to and vest in the Company. The proceeds of such sale, or of any lease or other disposition of the Equipment as provided hereunder, less the attorneys' fees and any other expenses incurred by the Vendor in taking possession of, removing, storing and so disposing of the Equipment, shall be credited against the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at such place or places and at such time or times as the Vendor may specify, in one lot and as an entirety, or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine; *provided, however*, that the Company and the Guarantor shall be given written notice of such sale as provided hereinabove. If such sale shall be a private sale, it shall be subject to the right of the Company and the Guarantor to purchase or provide a purchaser within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. The Vendor may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale without accountability to the Company or the Guarantor (except to the extent of surplus money received as hereinafter provided in this Article 18), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor from the Company hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay, except where time limits are expressly herein provided, or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein.

All sums of money realized by the Vendor under the remedies herein provided shall be applied, *first* to the payment of the expenses and liabilities of the Vendor herein undertaken to be paid, *second* to the payment of interest on the unpaid Purchase Price of the Equipment accrued and unpaid and *third* to the payment of the unpaid Purchase Price of the Equipment. If, after applying as aforesaid all sums of money realized by the Vendor, there shall remain any amount due to it under the provisions of this Agreement, the Company shall pay the amount of such deficiency to the Vendor upon demand, and, if the Company shall fail to pay the full deficiency, the Vendor may bring suit therefor and shall be entitled to recover a judgment therefor against the Company and the Guarantor. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Company or the Guarantor, as the case may be.

The Company will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that

the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 18 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

ARTICLE 19. *Applicable State Laws.* Any provision of this Agreement prohibited by any applicable law of any state shall as to such state be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any applicable state law may be waived, they are hereby waived by the Company and the Guarantor to the full extent permitted by law, to the end that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Company and the Guarantor, to the full extent permitted by law, hereby waive all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell the Equipment, or any unit thereof, and any other requirements as to the time, place and terms of sale thereof, any other requirements with respect to the enforcement of the Vendor's rights hereunder and any and all rights of redemption.

ARTICLE 20. *Extension not a Waiver.* Any extension of time for payment hereunder or other indulgence duly granted to the Company shall not otherwise alter or affect the Vendor's rights or the obligations of the Company or the Guarantor hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Company's or the Guarantor's obligations or the Vendor's rights hereunder with respect to any subsequent payments or defaults therein.

ARTICLE 21. *Recording.* Prior to the delivery and acceptance of any unit of the Equipment, the Company and the Guarantor will cause this Agreement, any assignments hereof and any supplements hereto and thereto, in each case, to be filed with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Company and the Guarantor will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of the Vendor and its counsel, of its title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement and any assignment hereof. The Company and the Guarantor will promptly furnish to the Vendor evidences of such filing.

ARTICLE 22. *Payment of Expenses.* The Company will pay all reasonable costs and expenses incident to the preparation and execution of this Agreement and the first assignment of this Agreement (including the fees and expenses of an agent or trustee, if the first assignee is an agent or trustee), or any instrument supplemental thereto, including all fees and expenses of special counsel for the first assignee of this Agreement and for any party acquiring interests in such first assignment.

ARTICLE 23. *Notice.* Any notice hereunder to any party designated below shall be deemed to be properly served if delivered or mailed to it at its chief place of business at the following specified addresses:

(a) the Company: 1700 Pennsylvania Avenue, N.W., 10th Floor, Washington, D.C. 20006, Attention: Mr. William T. McInarnay;

(b) the Guarantor: 12th and Market Streets, Philadelphia, Pennsylvania 19107, Attention: Vice-President-Finance.

(c) The Vendor: 1700 Pennsylvania Avenue, N.W., 10th Floor, Washington, D.C. 20006, Attention: Mr. William T. McInarnay;

(d) any assignee of the Vendor, or of the Company: such address as may have been furnished in writing to the Company, or the Vendor, as the case may be, and to the Guarantor, by such assignee;

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 24. *Immunities.* No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against (i) any incorporator, stockholder, director or officer, past, present or future, of the Guarantor or the Vendor, (ii) any assets of the partners of the partnership which is the Company other than the assets which they have contributed to the partnership assets of the Company in accordance with the governing instruments thereof, or (iii) any principal or principals (disclosed or undisclosed) of the Vendor if the Vendor is acting in an agency capacity, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of incorporators, stockholders, directors, officers or principals, or as to such assets of such partners, being forever released as a condition of and as consideration for the execution of this Agreement.

ARTICLE 25. *Effect and Modification of Agreement.* This Agreement and the Annexes annexed hereto exclusively and completely state the rights and agreements of the Vendor, the Company and the Guarantor with respect to the Equipment and supersede all other agreements, oral or written, with respect to the Equipment. No variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Vendor, the Company and the Guarantor.

ARTICLE 26. *Law Governing.* The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; *provided, however,* that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording, registering or depositing hereof and of any assignment hereof and out of the

marking on the Equipment as shall be conferred by the laws of the several jurisdictions in which the Equipment may be located and in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.

ARTICLE 27. *Definitions.* The term "Vendor", whenever used in this Agreement, means, before any assignment of any of its rights hereunder, Segar Four Corporation, a Delaware corporation, and any successor or successors for the time being to its properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor or assignors as regards any rights hereunder that are retained or excluded from any assignment.

ARTICLE 28. *Execution.* This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of May 1, 1971, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this instrument to be executed as of the date first above written.

SEGAR FOUR LEASING COMPANY,
a District of Columbia limited partnership

by [Signature]
A general partner.

SEGAR FOUR CORPORATION

[CORPORATE SEAL]

by [Signature]
Vice President.

Attest:

[Signature]
Secretary.

APPROVED
AS TO FORM

READING COMPANY

[CORPORATE SEAL]

by [Signature]
Vice President.

Attest:

[Signature]
Secretary.

~~COMMONWEALTH OF PENNSYLVANIA~~
~~COUNTY OF PHILADELPHIA~~

SS. :

On this 1st day of June, 1971, before me personally appeared Melvin Ritzberg, to me known to be a general partner of SEGAR FOUR LEASING COMPANY, the partnership mentioned and described in, and who executed the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for and on behalf of and with the authority of said partnership of SEGAR FOUR LEASING COMPANY.

[NOTARIAL SEAL]

[Signature]
Notary Public

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA }

SS. :

On this 1st day of June, 1971, before me personally appeared J R GREENE, to me personally known, who, being by me duly sworn, says that he is a Vice President of READING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires January 17, 1974

[Signature]
Notary Public

State of New York
~~COMMONWEALTH OF PENNSYLVANIA~~
~~COUNTY OF PHILADELPHIA~~

SS.:

On this 2nd day of June, 1971, before me personally appeared Robert C. Vincent, to me personally known, who, being by me duly sworn, says that he is the President of SEGAR FOUR CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

[Signature]
Notary Public

ROBERT C. VINCENT
Notary Public
Philadelphia, PA

ANNEX A

Seventy-ton steel box cars built to Reading Company's Specifications dated November 16, 1970, with the special equipment shown below, to be delivered between May 15, 1971, and October 15, 1971, at Reading, Pennsylvania.

Special Equipment	Quantity	Reading Company Road Numbers (Inclusive)	Unit Purchase Price	Total Purchase Price
4-belt DF-2	150	18600-18749	\$18,440	\$2,766,000
9-belt DF-2	50	18750-18799	19,118	955,000
18-belt DF-1	30	18800-18829	20,140	604,200
4 one-piece bulkheads	30	18830-18859	21,718	651,540
2 Air-Pak bulkheads	40	18860-18899	21,484	859,360
Total	300			\$5,837,000

LEASE OF RAILROAD EQUIPMENT

READING COMPANY
(Segar Four Leasing Company)

THIS LEASE OF RAILROAD EQUIPMENT dated as of May 1, 1971, between SEGAR FOUR LEASING COMPANY, a limited partnership (the "Lessor"), and READING COMPANY, a Pennsylvania corporation (the "Lessee");

WITNESSETH:

WHEREAS, Lessor has purchased, pursuant to a conditional sale agreement (the "Conditional Sale Agreement") the railroad equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedule A hereto; and

WHEREAS, the Lessee desires to lease all of the Equipment at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions, namely:

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

The Lessor will cause each Item of Equipment to be tendered to the Lessee on the line of railroad of the Lessee at the point or points mutually agreed upon by the Lessor and the Lessee. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor a certificate of acceptance in the form attached hereto as Exhibit 1 (hereinafter called the "Certificate of Acceptance"), whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Lease.

SECTION 2. RENTALS AND RENTAL PAYMENT DATES.

2.1. Rentals for Equipment.

The Lessee agrees to pay the Lessor for the use of the Equipment the Initial Term Rental and thirty installments of Fixed Rental in the amounts provided for such Equipment in Schedule B hereto. The Fixed Rental for each Item of Equipment on any rental payment date shall be the amount equal to the total Fixed Rental due on that rental payment date times the fraction of which the numerator is the Original Cost of such Item

Filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act on _____ *at* _____ *, Recordation No.* _____

of Equipment as set forth on Schedule A hereto and the denominator is the total Original Cost of the Equipment.

2.2. Rental Payment Dates.

The Initial Term Rental for the Equipment delivered to the Lessee hereunder with respect to the Initial Term hereof as provided in Section 3 hereof shall be due and payable on January 1, 1972. The first installment of Fixed Rental for the Fixed Term hereof as provided in Section 3 hereof shall be due on July 1, 1972 and the second through the thirtieth installments of Fixed Rental shall be due and payable semi-annually commencing six calendar months after July 1, 1972.

SECTION 3. TERM OF THE LEASE.

The Initial Term of this Lease as to each Item of Equipment shall begin on the date of delivery of such Item of Equipment to, and acceptance by, the Lessee and, subject to the provisions of Section 11 hereof, shall terminate on January 1, 1972. The Fixed Term of this Lease shall begin on January 1, 1972, and, subject to the provisions of Section 11 hereof, shall terminate on January 1, 1987.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Lessor shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by Lessee.

4.2. The Lessee will cause each Item of Equipment to be kept numbered with its identifying number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

“Owned by Segar Four Leasing Company,
and subject to a Security Interest of
Girard Trust Bank, Agent, Recorded with
the I.C.C.”

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new identifying number to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

4.4. The Lessee shall indemnify the Lessor and any assignee under Section 16 hereof against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.

SECTION 5. DISCLAIMER OF WARRANTIES.

As between Lessor and Lessee, Lessor leases the Equipment, "AS-IS" without warranty or representation, either express or implied, as to (a) the fitness or merchantability of any Item or Items of Equipment, (b) the Lessor's title thereto, (c) the Lessee's right to the quiet enjoyment thereof, or (d) any other matter whatsoever, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the manufacturer thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. The Lessee shall defend, indemnify and save harmless the Lessor, its successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder or (iii) as a result of claims for patent infringements.

6.2. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the

termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all Governmental laws, regulations, requirements and rules (including the rules of the Interstate Commerce Commission, the Federal Department of Transportation and the current Interchange Rules, or supplements thereto, of the Mechanical Division, Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

The Lessee will not assign or permit the assignment of any Item of Equipment to service involving the regular operation and maintenance thereof outside the United States of America and any use of any Item of the Equipment outside the United States of America will be limited to incidental and temporary use.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through, or under the Lessee and its successors or assigns which, if unpaid, might become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. Lessee's obligations under this Section 9 shall survive termination of the Lease.

SECTION 10. FILING: PAYMENT OF FEES AND TAXES.

10.1. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act or other applicable statutory authority, and/or in such other place or places within or without the United States as the Lessor may reasonably request for the protection of its title and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by Lessor, for the purpose of protecting the Lessor's title to the Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

10.2. The Lessee, or the Lessor at the Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment and other taxes, fees and governmental charges similar or dissimilar to the foregoing (excluding any net income tax provided that the Lessee agrees to pay that portion of any such net income tax which is in direct substitution for, or which relieves the Lessee from a tax which the Lessee would otherwise be obligated to pay under the terms of this Section), together with any penalties or interest thereon, imposed by any state, federal or local government upon any Item of Equipment and whether or not the same shall be assessed against or in the name of the Lessor or Lessee; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of Lessor to the Equipment, however, Lessee shall reimburse Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than Lessee, until 20 days after written notice thereof shall have been given to Lessee.

SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE.

11.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms does not exceed the remaining term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and any assignee of Lessor in regard thereto.

11.2. When (i) the aggregate Casualty Value (as herein defined) of the Items of Equipment described in Schedule A having suffered a Casualty Occurrence (exclusive of Items of Equipment described in such Schedules having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$50,000 or (ii) the next succeeding rental payment date is the last such date of the Fixed Term, the Lessee, on the next succeeding rental payment date (subsequent to January 1, 1972) (provided such next succeeding rental payment date is not less than 90 days after such Casualty Occurrence in the case of any rental payment date other than the last such date of the Fixed Term) shall pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment having suffered a Casualty Occurrence as of the date of such payment.

11.3. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rental for such Item or Items of Equipment (except the Fixed Rental installment due on the Casualty Value payment date) shall terminate, but the Lessee shall continue to pay rental for all other Items of Equipment. The reduction in subsequent installments of Fixed Rental shall be equal to the Fixed Rental otherwise payable pursuant to Schedule B times the fraction whose numerator is the Original Cost of all Items of Equipment listed in Schedule A with respect to which Casualty payments have been made and whose denominator is the total Original Cost of the Equipment as set forth on Schedule A. The Lessee shall pay when due all rental payments as to an Item or Items due prior to the date on which the Casualty Value thereof is payable.

11.4. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment suffering a Casualty Occurrence as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "AS-IS", "WHERE-IS" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.5. The Casualty Value of each Item of Equipment described in Schedule A shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Original Cost to the Lessor of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C.

11.6. The Lessee shall bear the risk of and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of, any Casualty

Occurrence to any Item of Equipment after the date hereof.

11.7. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

11.8. At Lessee's option, it may, in lieu of paying to Lessor the Casualty Value payable in respect of any Casualty Occurrence, convey to Lessor Items of Substitute Equipment (as defined below) to replace any Item of Equipment in respect of which Lessee would otherwise be obligated to pay to Lessor the Casualty Value. The replacement of such Items of Equipment shall be accomplished in the following manner:

(a) Lessee shall deliver to Lessor (i) Bill of Sale in respect of the Items of Substitute Equipment, which Bill of Sale shall warrant that at the time of such delivery Lessee had good and lawful title to the Items of Substitute Equipment and that the Items of Substitute Equipment were free of all claims, liens, security interests and other encumbrances of any nature; (ii) Certificate of Acceptance with respect to the Items of Substitute Equipment; (iii) Opinion dated as of such date of counsel for Lessee, stating that title to each Item of Substitute Equipment is validly vested in Lessor and that each Item of Substitute Equipment, at the time of acceptance thereof by Lessee from Lessor pursuant to the Certificate of Acceptance was free of all claims, liens, security interests and other encumbrances except only the rights of the Vendor under the Conditional Sale Agreement and the rights of the Lessee under this lease; and (iv) Certificate by the Chief Mechanical Officer of the Lessee that the equipment replacing Items of Equipment having suffered a Casualty Occurrence constitutes only Items of Substitute Equipment, setting forth the fair market value (as determined by an independent appraisal or, in the case of purchased equipment, the purchase price thereof) and useful life of each such Item of Substitute Equipment.

(b) Lessor and Lessee shall execute an amendment to this Lease amending the description of the Equipment by deleting therefrom the Items of Equipment having suffered a Casualty Occurrence and substituting therefor the Items of Substitute Equipment. Lessee shall, at its expense, record such amended lease as provided in Section 10 hereof.

(c) Upon compliance with the provisions of subparagraphs (a) and (b) of this subsection 11.8, the Items of Substitute Equipment shall become subject to this Lease and, thereafter, shall constitute Items of Equipment. For purposes of computing the Casualty Value of each Item of Substitute Equipment, the Original

SECTION 20. NOTICES.

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: Segar Four Leasing Company
 1700 Pennsylvania Avenue, N.W.
 10th Floor
 Washington, D.C. 20006
 Attention: Mr. William T. McNarnay

If to the Lessee: Reading Company
 12th and Market Streets
 Philadelphia, Pennsylvania 19107
 Attention: Vice President—Finance

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 21. EXECUTION IN COUNTERPARTS.

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

SECTION 22. LAW GOVERNING.

This Lease shall be construed in accordance with the laws of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed as of the day and year first above written.

SEGAR FOUR LEASING COMPANY

By _____
a General Partner LESSOR

READING COMPANY

By _____
Vice President LESSEE

[CORPORATE SEAL]

Attest:

Secretary

ATTACHMENTS TO LEASE

- Exhibit 1 — Certificate of Acceptance
- Schedule A — Description of Equipment
- Schedule B — Rent
- Schedule C — Casualty Value

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession;

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for thirty days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(d) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee, and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees within thirty days after such appointment, if any, or sixty days after such petition shall have been filed, whichever shall be earlier; or

(e) Any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganization, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees or receiver or receivers, within thirty days after such appointment, if any, or sixty days after such proceedings shall have been commenced, whichever shall be earlier;

then in any such case, the Lessor, at its option may

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free

from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Item over the then present worth of the then fair rental value of such Item for such period computed by discounting to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 3½% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payments of rental.

14.2. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rental payments due hereunder, and agrees to make the rental payments regardless of any off-set or claim which may be asserted by the Lessee or on its behalf in connection with the lease of the Equipment.

14.3. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

- (a) Forthwith place such Equipment in such reasonable storage place on Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as

the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad for a period not exceeding six months at the risk of the Lessee; and

(c) Transport the Equipment, at any time within such six months' period, to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to Lessee.

15.2. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of any such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease shall be assignable in whole or in part by Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. In the event that separate assignments are executed by the Lessor in respect of this Lease and the rental and other sums due and to become due hereunder insofar as the same relate to Items of Equipment described in different schedules hereto, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of Equipment covered by each such separate assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of such Equipment. Upon notice to the Lessee of any such assignment the rental and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defence, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the assignee) in the use, operation or possession of the Equipment or any part thereof.

or any damage to or loss or destruction of the Equipment or any part thereof or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the assignee, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION.

17.1. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject such leasehold interest to the lien thereof provided that the lien thereof is subordinate to or does not conflict with the rights of Lessor hereunder). The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

17.2. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of any railroad over which the Lessee or any such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease; and the Lessee may receive and retain compensation for such use from other railroads so using any of the Equipment. Lessee may also lease the Equipment to any other railroad company with the prior written consent of the Lessor, provided that the rights of such lessee are made expressly subordinate to the rights and remedies of the Lessor hereunder. No assignment, sublease or interchange entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

17.3. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consoli-

dated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

SECTION 18. OPINION OF COUNSEL.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor ten counterparts of the written opinion of counsel for the Lessee addressed to the Lessor and to the assignee under the first assignment executed by the Lessor with respect to the Lease in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the Commonwealth of Pennsylvania, with adequate corporate power to enter into this Lease;

(b) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement of the Lessee enforceable in accordance with its terms;

(c) This Lease has been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and no other filing, recording or depositing or any notice thereof is necessary to protect the Lessor's title to the Equipment in the United States of America;

(d) No approval is required from any public regulatory body with respect to the entering into or performance of this Lease; and

(e) The entering into and performance of this Lease will not result in any breach of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon the Lessee's leasehold interest under this Lease in the Equipment (except to the extent that the provisions of any existing mortgage of the Lessee may require the subjection of such leasehold interest to the lien thereof) pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which the Lessee is a party or by which it may be bound.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY THE LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 11½% per annum (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. NOTICES.

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: Segar Four Leasing Company
 1700 Pennsylvania Avenue, N.W.
 10th Floor
 Washington, D.C. 20006
 Attention: Mr. William T. McNarnay

If to the Lessee: Reading Company
 12th and Market Streets
 Philadelphia, Pennsylvania 19107
 Attention: Vice President—Finance

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 21. EXECUTION IN COUNTERPARTS.

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

SECTION 22. LAW GOVERNING.

This Lease shall be construed in accordance with the laws of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed as of the day and year first above written.

SEGAR FOUR LEASING COMPANY

By _____
a General Partner LESSOR

READING COMPANY

By _____
Vice President LESSEE

[CORPORATE SEAL]

Attest:

Secretary

ATTACHMENTS TO LEASE

- Exhibit 1 — Certificate of Acceptance
- Schedule A — Description of Equipment
- Schedule B — Rent
- Schedule C — Casualty Value

STATE OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS

On this _____ day of _____, 1971, before me personally appeared _____, to me known to be a General Partner of SEGAR FOUR LEASING COMPANY, a partnership mentioned and described in, and who executed the foregoing instrument, and acknowledged to me that he executed the same as his free deed and act for and on behalf of and with the authority of said partnership.

[NOTARIAL SEAL]

Notary Public

My Commission Expires:

STATE OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS

On this _____ day of _____, 1971, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a Vice-President of READING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Notary Public

My Commission Expires:

**CERTIFICATE OF DELIVERY
AND
CERTIFICATE OF ACCEPTANCE**

Under Lease of Railroad Equipment Dated as of May 1, 1971

The undersigned, being the duly authorized representatives of Segar Four Leasing Company (the "Company") and of Reading Company ("Reading"), respectively, hereby certify that the following units of railroad equipment, referred to in the Lease of Railroad Equipment (the "Lease") between the Company and Reading, dated as of May 1, 1971:

Type of Equipment:

Quantity	Reading's Identifying Numbers	Acceptance Date
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have been duly delivered to the Company in good order and duly inspected and accepted by the undersigned on the respective dates shown above on behalf of the Company and in turn have been duly delivered by the Company to Reading as lessee under the Lease and have been duly inspected and accepted by the undersigned on said dates on behalf of Reading as conforming in all respects to the requirements and provisions of the Lease.

The undersigned further certify that at the time of its delivery to the Company and Reading each unit of railroad equipment covered by this Certificate was properly marked on each side thereof with the legend provided in Section 4 of the Lease.

Duly Authorized Representative
of SEGAR FOUR LEASING COMPANY

Duly Authorized Representative
of READING COMPANY

SCHEDULE A TO LEASE

Seventy-ton steel box cars built to Reading Company's Specifications dated November 16, 1970, with the special equipment shown below, to be delivered between May 15, 1971, and October 15, 1971, at Reading, Pennsylvania.

Special Equipment	Quantity	Reading Company Road Numbers (Inclusive)	Item Original Cost	Total Original Cost
4-belt DF-2	150	18600-18749	\$18,440	\$2,766,000
9-belt DF-2	50	18750-18799	19,118	955,000
18-belt DF-1	30	18800-18829	20,140	604,200
4 one-piece bulkheads	30	18830-18859	21,718	651,540
2 Air-Pak bulkheads	40	18860-18899	21,484	859,360
Total	300			\$5,837,000

Schedule B to Lease

RENT PAYMENTS

Initial Term Rental

0.9249% per month of the Total Original Cost of each Group of Equipment as set forth on Schedule A hereto for each month (or prorated portion thereof) prior to January 1, 1972 but subsequent to the Closing Date with respect to such Group (as defined in the Conditional Sale Agreement).

Fixed Rental

Installments (1) through (10)—Payable July 1, 1972, and semiannually thereafter until and including January 1, 1977:

5.5492% of the Total Original Cost of the Equipment as set forth in Schedule A hereto.

Installments (11) through (30)—Payable July 1, 1977, and semiannually thereafter until and including January 1, 1987:

6.49% of the Total Original Cost of the Equipment as set forth in Schedule A hereto.

Schedule C to Lease

CASUALTY VALUE

The Casualty Value of any Item of Equipment shall equal the Applicable Percentage as set forth below of the Original Cost of such Item on Schedule A.

Payment No.	Payment Made at End of Semi-Annual Period Ending	Applicable Percentage
(1)	July 1, 1972	108.2456
(2)	January 1, 1973	111.1304
(3)	July 1, 1973	113.6512
(4)	January 1, 1974	115.8043
(5)	July 1, 1974	117.5861
(6)	January 1, 1975	118.9926
(7)	July 1, 1975	120.0198
(8)	January 1, 1976	120.6633
(9)	July 1, 1976	120.9183
(10)	January 1, 1977	120.7802
(11)	July 1, 1977	115.9686
(12)	January 1, 1978	111.2033
(13)	July 1, 1978	106.4786
(14)	January 1, 1979	101.7883
(15)	July 1, 1979	97.1263
(16)	January 1, 1980	92.4857
(17)	July 1, 1980	87.8594
(18)	January 1, 1981	83.2402
(19)	July 1, 1981	78.6200
(20)	January 1, 1982	73.9905
(21)	July 1, 1982	69.3430
(22)	January 1, 1983	64.6683
(23)	July 1, 1983	59.9567
(24)	January 1, 1984	55.1977
(25)	July 1, 1984	50.3807
(26)	January 1, 1985	45.4940
(27)	July 1, 1985	40.5258
(28)	January 1, 1986	35.4631
(29)	July 1, 1986	30.2927
(30)	January 1, 1987	25.0000

ANNEX C TO CONDITIONAL SALE AGREEMENT
Payments on Account of Conditional Sale Indebtedness

80% of Total Purchase Price Times
the Percentage Set Forth Below

Payment No.	Date	Interest	Principal	Balance
(1)	January 1, 1972	*	-0-	100.0000
(2)	July 1, 1972	5.500000	1.3805	98.6195
(3)	January 1, 1973	5.424073	1.4565	97.1630
(4)	July 1, 1973	5.343965	1.5365	95.6265
(5)	January 1, 1974	5.259458	1.6211	94.0054
(6)	July 1, 1974	5.170297	1.7103	92.2951
(7)	January 1, 1975	5.076231	1.8043	90.4908
(8)	July 1, 1975	4.976994	1.9035	88.5873
(9)	January 1, 1976	4.872302	2.0082	86.5791
(10)	July 1, 1976	4.761851	2.1187	84.4604
(11)	January 1, 1977	4.645322	2.2352	82.2252
(12)	July 1, 1977	4.522386	2.3582	79.8670
(13)	January 1, 1978	4.392685	2.4879	77.3791
(14)	July 1, 1978	4.255851	2.6246	74.7545
(15)	January 1, 1979	4.111498	2.7691	71.9854
(16)	July 1, 1979	3.959197	2.9213	69.0641
(17)	January 1, 1980	3.798526	3.0820	65.9821
(18)	July 1, 1980	3.629016	3.2516	62.7305
(19)	January 1, 1981	3.450178	3.4303	59.3002
(20)	July 1, 1981	3.261511	3.6190	55.6812
(21)	January 1, 1982	3.062466	3.8181	51.8631
(22)	July 1, 1982	2.852471	4.0281	47.8350
(23)	January 1, 1983	2.630925	4.2496	43.5854
(24)	July 1, 1983	2.397197	4.4833	39.1021
(25)	January 1, 1984	2.150616	4.7300	34.3721
(26)	July 1, 1984	1.890466	4.9900	29.3821
(27)	January 1, 1985	1.616016	5.2646	24.1175
(28)	July 1, 1985	1.326463	5.5540	18.5635
(29)	January 1, 1986	1.020993	5.8596	12.7039
(30)	July 1, 1986	.698715	6.1818	6.5221
(31)	January 1, 1987	.358716	6.5221	-0-

*0.9167% per month of the Purchase Price of each Group of Equipment as set forth in Annex A for each month (or pro-rated portion thereof) prior to said payment date but subsequent to the Closing Date with respect to such Group.