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INTERSTATE COMMERCE COMMISSION

AGREEMENT TO ACQUIRE AND LEASE RAILROAD
EQUIPMENT
DATED AS OF AUGUST 27, 1971

Between .

THE PHILADELPHIA NATIONAL BANK,
Lessor,
Broad and Chestnut Streets
Philadelphia, Pennsylvania 19101

and

READING COMPANY,
Lessee,
Reading Terminal
Philadelphia, Pennsylvania 19107

Covering 100 Used and Rebuilt 40-foot Box Cars

Filed and recorded with the Interstate Commerce Commission
pursuant to Section 20c of the Interstate Commerce Act on
, 1971, at Recordation No. _____.

THIS AGREEMENT TO ACQUIRE AND LEASE RAILROAD EQUIPMENT (hereinafter the "Agreement") is dated as of August 27, 1971 and made between THE PHILADELPHIA NATIONAL BANK, a national banking association (hereinafter "Lessor"), and READING COMPANY, a Pennsylvania corporation (hereinafter "Lessee"), and

WITNESSETH:

WHEREAS, Lessor is willing to purchase from Lessee those certain 100 used 40-foot box cars presently bearing Lessee's road numbers set forth in Exhibit "A" attached hereto and made a part hereof (hereinafter the "Old Cars"), and, after rehabilitation, to bear Lessee's road numbers 118100 to 118159, inclusive, and 111250 to 111289, inclusive, (hereinafter "the Cars" collectively and "the Car" individually); and

WHEREAS, Lessee is willing to rehabilitate the Old Cars in its shops as Lessor's agent, at Lessor's expense, pursuant to Lessee's Specifications for Rehabilitation which are attached hereto, made a part hereof and marked Exhibit "B"; and

WHEREAS, Lessee desires to lease the Cars from Lessor no later than December 31, 1971, 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 Lessee, Lessor hereby undertakes to purchase the Old Cars from and lease the Cars to Lessee, and Lessee hereby agrees to lease the Cars from Lessor, upon the following terms and conditions:

Section 1. Sale of Cars. Concurrently with the execution of this Agreement Lessee will sell the Old Cars to Lessor for One Hundred Fifty Thousand Dollars (\$150,000) (which sum shall be payable in the manner described in Section 2 hereof) at which time Lessee will transfer title to the Old Cars to Lessor and give Lessor a Bill of Sale therefor.

Section 2. Rehabilitation, Delivery and Acceptance of Cars. Subsequent to Lessor's purchase of the Old Cars Lessee, acting as Lessor's agent, will cause each Old Car to be rehabilitated in its shops pursuant to Lessee's Specifications for Rehabilitation, Exhibit "B" hereto, which Specifications for Rehabilitation will conform in every material respect with Interstate Commerce Commission and Department of Transportation requirements and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to the Cars, at a total per Car cost to Lessor for such rehabilitation of Six Thousand Five Hundred Twenty Dollars (\$6,520).

Lessee will deliver the Cars at Reading, Pennsylvania, to an officer of Lessee, acting as Lessor's agent, for accep-

tance by Lessor, as the same are completed. Immediately upon delivery of each Car to Lessor's agent, and Lessor's acceptance thereof, Lessee will cause its authorized representative to accept delivery of the Car and to execute and deliver to Lessor a certificate of acceptance therefor (hereinafter the "Certificate of Acceptance") in the form of Exhibit "C" hereto; whereupon each such Car shall be deemed to have been delivered to and accepted by Lessee and shall be subject thereafter to all terms and conditions of this Agreement.

Settlement for the Cars shall be made on or about November 30, 1971 but in any event no later than December 31, 1971, at which time Lessor will pay Lessee One Thousand Five Hundred Dollars (\$1,500) as the purchase price for each Old Car and reimburse Lessee Six Thousand Five Hundred Twenty Dollars (\$6,520) for its rehabilitation expense of each Car.

Section 3. Title. At all times while this Agreement is in force no title or other right of ownership in the Cars shall be vested in Lessee, and delivery of possession of the Cars to Lessee, and Lessee's possession of the Cars shall constitute only a bailment.

Section 4. Rentals. During the Initial Term (as hereinafter defined) Lessee will pay Lessor, as rental for the Cars, quarterly in advance, an amount equal to 3.81774% of the total aggregate of purchase and rehabilitation costs set forth

in Section 2 hereof. The Initial Term shall commence on the said settlement date.

All payments to Lessor provided for in this Agreement shall be made to Lessor at Broad and Chestnut Streets, Philadelphia, Pennsylvania, 19101, or at such other place as Lessor shall specify in writing.

The lease embodied in this Agreement is a net lease and Lessee shall not be entitled to any abatement of rent or reduction or recovery thereof due to any present or future claims of Lessee against Lessor or any assignee of Lessor under this Agreement or otherwise, nor, except as otherwise expressly provided herein, shall this Agreement terminate, or the respective obligations of Lessor or Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Cars from whatever cause, the taking or requisition of the Cars by condemnation or otherwise, the prohibition of Lessee's use of the Cars, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization to this Agreement, or lack of right, power or authority of Lessor to enter into this Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by Lessee hereunder shall continue to be payable in all events unless the

obligation to pay the same shall be terminated pursuant to the express provisions of this Agreement.

If any amounts payable pursuant to the terms of this Agreement, including, but not limited to rentals due hereunder, remain unpaid after the same shall become due and payable, Lessee shall pay interest at the rate of one percent (1%) per month on such overdue amounts for the period of time during which they are overdue, it being expressly understood that this provision shall be in addition to any other rights which Lessor may have under this Agreement in the event Lessee fails to make payments required hereunder when the same shall have become due and payable.

Section 5. Term of Lease; Purchase Options; Renewal Terms; Rentals for First and Second Renewal Terms. The Initial Term of this Lease (herein the "Initial Term") shall begin on the said settlement date, and, subject to the provisions of this Section and Section 10 hereof, shall terminate at the expiration of ten (10) years from the commencement of the Initial Term.

At the end of the Initial Term Lessee may either purchase the Cars at their then fair market value (as determined by an independent appraiser satisfactory to both Lessee and Lessor) or lease the Cars for an additional five (5) year term (the "First Renewal Term") for a quarterly rental payable in advance equal to six percent (6%) of the fair market value of

the Cars at the end of the Initial Term.

At the end of the First Renewal Term Lessee may either purchase the Cars at their then fair market value (as determined by an independent appraiser satisfactory to both Lessee and Lessor) or lease the Cars for an additional five (5) year term (the "Second Renewal Term") for a quarterly rental payable in advance equal to twenty-five percent (25%) of the rentals charged Lessee during the First Renewal Term.

At the end of the Second Renewal Term Lessee may purchase the Cars at their then fair market value (as determined by an independent appraiser satisfactory to both Lessee and Lessor), or return the Cars to Lessor.

Section 6. Identification Marks. Lessee will cause each Car to be numbered with the new road numbers hereinabove set forth, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Car, in letters not less than one inch in height, Lessor's name followed by the words "Owner and Lessor" or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to the Cars and its rights under this Agreement. Lessee will not place any Car in operation until such words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed.

Lessee will not change the road number of any Car except with Lessör's consent and in accordance with a statement of new numbers to be substituted therefor, which consent and statement previously shall have been filed with Lessor by Lessee and filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

Except as above provided, Lessee will not allow the name of any person, association or corporation to be placed on the Cars as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the Cars to be lettered with the names or initials or other insignia customarily used by 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 Lessee to use the Cars under this Agreement.

Section 7. Taxes. Lessee agrees, that during the continuance of this Agreement, in addition to the rentals and other payments herein provided, it will promptly pay all taxes, assessments, fees, charges, fines, penalties, and other governmental charges, including but not limited to sales or use taxes, levied or assessed upon the Cars or the interest of Lessee in the Cars subject to this Agreement or any thereof or upon the use or operation thereof or the earnings arising therefrom; and will promptly pay or reimburse Lessor for all such taxes, assessments, fees, charges, fines, penalties and other governmental charges

levied or assessed against Lessor on account of its acquisition or ownership of the Cars or any thereof or on account of the use or operation thereof or on account of the earnings arising therefrom (exclusive, however, of income taxes on the rentals herein provided except any such tax on rentals which is in substitution for, or relieves Lessee from, the payment of taxes which it would otherwise be obligated to pay or reimburse as hereinbefore provided), including but not limited to any sales or use, general business and mercantile license taxes payable on account of the acquisition or ownership of the Cars or any thereof by Lessor or on account of the leasing of the Cars hereunder (all such taxes, assessments, fees, charges, fines, penalties and other governmental charges being hereinafter called "Impositions") and will keep at all times all and every part of such Cars free and clear of all Impositions which might in any way affect Lessor's title or result in a lien upon any such Car; provided, however, that Lessee shall not be required to pay the same so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in Lessor's judgment, the rights or interests of Lessor will be materially endangered. In the event any tax reports are required to be made on the basis of individual Cars, Lessee will either make such reports in such manner as to show the ownership of such Cars by Lessor or will notify Lessor of such requirement and will make such report in such manner as shall be satisfactory to Lessor.

In the event that during the continuance of this Agreement the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this Section, such liability shall continue, notwithstanding the expiration of this Agreement, until all such Impositions are paid or reimbursed by Lessee.

Section 8. Payment for Casualty Occurrence or for Cars Unserviceable for Use. In the event a Car shall be or become worn-out, lost, stolen, destroyed, irreparably damaged, or, in the opinion of Lessor and Lessee, obsolete or economically unserviceable for use from any cause whatsoever, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise (such occurrences being hereinafter called a "Casualty Occurrence") during the Initial, First Renewal or Second Renewal Terms of this Lease, Lessee shall promptly (after it has knowledge of such Casualty Occurrence) and fully inform Lessor in regard thereto. On the next rental payment date hereunder following the happening of a Casualty Occurrence Lessee will pay Lessor on account of the affected Cars the stipulated loss value thereof (hereinafter "the Stipulated Loss Value"), calculated as of such next rental date pursuant to the Schedule of Stipulated Loss Values which is attached hereto, made a part hereof and marked Exhibit "D". Upon paying the Stipulated Loss Value of the Car or Cars which shall have suffered a Casualty Occurrence, rental for such Car

or Cars shall cease to accrue after that rental payment date, the Stipulated Loss Value of such Car or Cars being subtracted from the aggregate total value of the Cars set forth in the Stipulated Loss Value, Exhibit "D" hereto, and Lessee shall thereupon automatically take title to such Car or Cars as-is-where-is, without warranty express or implied with respect to any matter whatsoever. Lessor will remit to Lessee as received any net insurance proceeds payable as the result of insurance carried by Lessee or proceeds of an award in eminent domain or condemnation proceedings received by Lessor in respect of Cars suffering Casualty Occurrences.

Lessee shall bear the risk of, and, except as herein provided, shall not be released from its obligations hereunder in the event of, any Casualty Occurrence to any Car after Lessee's acceptance thereof.

Section 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Insurance and Indemnification.

Lessee having rehabilitated the Old Cars pursuant to the Specifications for Rehabilitation, Exhibit "B" hereto, which it caused to be prepared and independently approved, LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE CARS, AND LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE CARS FOR ANY PARTICULAR PURPOSE or as to title to the Cars or any component

thereof, it being agreed that all such risks, as between Lessor and Lessee, are to be borne by Lessee; but Lessor hereby irrevocably appoints and constitutes Lessee its agent and attorney-in-fact during the term of the lease embodied in this Agreement to assert and enforce from time to time, in the name of and for account of Lessor or Lessee, as their interests may appear, at Lessee's sole cost and expense, whatever claims and rights Lessor may have hereunder. Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between Lessee and Lessor that the Cars described therein are in all the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor based on any of the foregoing matters.

Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Car) with all Governmental laws including all laws of the jurisdictions in which its operations involving the Cars may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Cars, to the extent that such laws and rules affect the title, operation or use of the Cars, and in the event that such laws or rules require any alteration of any Car, or in the event that any equipment or appliance on any such Car shall be required to be

changed or replaced, or in the event that any additional or other equipment or appliance is required to be installed on any such Car in order to comply with such laws or rules, Lessee will make such alterations, changes, replacements and additions promptly and at its own expense; provided, however, that Lessee 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 Lessor adversely affect Lessor's property or rights under this Agreement.

Lessee agrees that, at its own cost and expense, it will maintain and keep each Car in good order and repair.

Any and all additions to any Car and any and all parts installed on and additions and replacements made to any Car shall constitute accessions to such Car and, at the cost and expense of Lessee, full ownership thereof free from any lien, charge, security interest or encumbrance shall immediately be vested in Lessor.

Lessee agrees to indemnify, protect and hold harmless Lessor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising in any way out of or as the result of the entering into or the performance of this Agreement, the ownership of any Old Car or Car, the transportation, rehabilitation, leasing, use, operation, condition, purchase, delivery,

rejection, or storage of any Old Car or Car or any accident in connection with the transportation, rehabilitation, leasing, operation, use, condition, possession, or storage of any Old Car or Car resulting in damage to property or injury or death to any person. The indemnities arising hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under the lease embodied in this Agreement or the termination of that lease.

Lessee will, at all times while the lease included in this Agreement is in effect, at its own expense, cause to be carried and maintained insurance in respect of the Cars at the time subject hereto, and public liability insurance in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by Lessee on equipment owned by it. Such insurance shall include Lessee and Lessor as additional named insureds as their interests may appear.

Lessee agrees to prepare and deliver to Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of Lessor) any and all reports (other than income tax returns) to be filed by Lessor with any federal, state or other regulatory authority by reason of Lessor's ownership of the Cars or the leasing thereof to Lessee.

Section 10. Default. If, during the continuance of the lease embodied in this Agreement, one or more of the follow-

ing events (herein sometimes called Events of Default) shall occur:

A. default shall be made in the payment of any part of the rental provided in Sections 4 and 5 hereof and such default shall continue for 30 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Agreement or of possession of the Cars, or any 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 Cars within 30 days after written notice from Lessor to 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 Lessee contained herein and such default shall continue for 30 days after written notice from Lessor to 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 Lessee, and all the obligations of the Lessee under this Agreement 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 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

E. any other proceedings shall be commenced by or against Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of Lessee's obligations hereunder) and all the obligations of Lessee under this Agreement 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 Lessee or for Lessee's property 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 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

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

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

(b) by notice in writing to Lessee, terminate this Agreement and the lease embodied herein forthwith, whereupon all right of Lessee to the use and possession of the Cars shall absolutely cease and determine as though this Agreement had never been made, but Lessee shall remain liable as hereinafter provided; and thereupon, Lessor may by its agents enter upon the premises of Lessee or other premises where any of the Cars may be and take possession of all or any of such Cars and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use the Cars for any purposes whatever; but Lessor shall, nevertheless, have a right to recover from Lessee any and all amounts which under the terms of this Agreement 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 multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from Lessee

the following amounts as a part of Lessor's damages:

(i) the Stipulated Loss Value of the Cars as of the date of default, as that value is set forth in the Schedule of Stipulated Loss Values, Exhibit "D" hereto, subject to credit or reimbursement by Lessor to Lessee for any rentals Lessor may earn on the Cars from the date of default to the end of the Second Renewal Term, net of Lessor's expenses incurred in connection with such re-leasing, the amount of such credit or reimbursement to be limited to the sum of all rentals for the Cars which would otherwise have accrued hereunder during that period, such net rentals or credit to be paid to or credited to Lessee's account within a reasonable time after their receipt by Lessor, or, alternatively, subject to such credit or reimbursement for the net proceeds of any sale of the Cars by Lessor (the parties hereto expressly agreeing that such sale shall be deemed to have been made in a commercially reasonable manner) concluded prior to the end of the Second Renewal Term, net of Lessor's expenses incurred in connection with such sale, the amount of such credit or reimbursement to be limited to the amount of the Stipulated Loss Value charged Lessee pursuant to this Section; and (ii) a reasonable provision for expenses incidental to the Lessor's enforcement of its rights hereunder including, but not

limited to, expenses of taking possession of the Cars if the Cars have not been delivered to Lessor by Lessee as provided under Section 11 hereof; and (iii) any damages which the Lessor shall have sustained by reason of the breach of any covenants of this Agreement; and (iv) interest on any of the above amounts at the rate of one percent (1%) per month from the date of default until the date of payment; and (v) reasonable attorneys' fees and costs of suit incurred in connection with the enforcement of the provisions of this Agreement.

The remedies of this Agreement provided in favor of 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. Lessor's failure to enforce any provision hereof or its failure to avail itself of any remedy afforded hereunder shall not be deemed a waiver thereof. Lessee hereby waives any provision of any law now or hereafter in effect which might limit or modify any of the remedies of Lessor provided hereunder or exempt any property of Lessee.

Section 11. Return of Cars Upon Termination. Upon termination of the lease embodied in this Agreement for any reason, Lessee shall forthwith deliver possession of the Cars to Lessor. For the purpose of delivery of possession of the Cars to Lessor as above required, Lessee shall at its own cost, expense and risk:

(a) forthwith place the Cars upon such storage tracks of Lessee as Lessor may reasonably designate;

(b) permit Lessor to store the Cars on such tracks at Lessee's risk for a period not to exceed six (6) months; and

(c) transport the same to any place on the lines of railroad operated by Lessee or to any connecting carrier for shipment, as directed by Lessor.

The assembling, delivery, storage and transporting of the Cars as herein provided shall be at Lessee's expense and risk and are of the essence of this Agreement, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Cars. During any storage period, Lessee will permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any Car, to inspect the same.

Without in any way limiting Lessee's obligation hereunder, Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney, with full power and authority, at any time while Lessee is obligated to deliver possession of any Car to Lessor, to demand and take possession of such Car, in the name and on behalf of Lessee, from whoever shall be in possession of such Car at the time.

Section 12. Assignment; Possession and Use. This Agreement shall be assignable in whole or in part by Lessor without Lessee's consent, but Lessee shall be under no obligation to any assignee of Lessor except upon written notice of such assignment

from Lessor. In the event of Lessor's assignment Lessor's transferee or assignee shall have, to the extent transferred or assigned to it, all rights, powers, privileges and remedies of Lessor hereunder. Lessee agrees that no such transferee or assignee shall assume any obligation of Lessor hereunder, and that the obligations of Lessee hereunder shall not be subject, as against any such transferee or assignee, to any defense, set-off or counterclaim available to Lessee against Lessor and that the same may be asserted only against Lessor. It is understood and agreed, however, that Lessee may separately claim against Lessor as to any matters which Lessee may be entitled to assert against Lessor. All the rights of Lessor hereunder (including, but not limited to, the rights to receive the rentals payable under this Agreement) shall inure to the benefit of Lessor's assigns (including the partners or any beneficiary of any such assignee if such assignee is a partnership or a trust, respectively). Whenever the term Lessor is used in this Agreement it shall apply and refer to each such assignee of Lessor.

So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession and use of the Cars in accordance with the terms of this Agreement. Without Lessor's prior written consent Lessee shall not assign or transfer its leasehold interest under this Agreement, except, however, for any rights in and to the Lessee's interest in the least embodied in this Agreement which may accrue to the Manufacturers Hanover Trust Company

(hereinafter called the Mortgagee), as successor to the Central Union Trust Company as mortgagee under a Mortgage and Deed of Trust dated January 2, 1924, between the Lessee and the Mortgagee, as amended and supplemented. Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor not related to the ownership of the Cars and other than the lien of the said Mortgage and Deed of Trust) upon or with respect to any Car, including any accession thereto, or the interest of Lessor, or Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises. Lessee shall not, without Lessor's prior written consent, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Cars, except as permitted herein.

So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession of the Cars and to the use of the Cars upon lines of railroad owned or operated by it or upon lines of railroad over which Lessee has trackage or other operating rights or over which Lessee's railroad equipment is regularly operated pursuant to contract, and also to permit the use of the Cars upon connecting and other carriers in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Agree-

ment; provided, however, that Lessee shall not assign or permit the assignment of any Car to service involving the regular operation and maintenance thereof outside the United States of America. Lessee may receive and retain compensation for such use from other railroads so using any of the Cars.

Nothing herein shall be deemed to restrict Lessee's right to assign or transfer its interest under this Agreement or possession of the Cars to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed Lessee's obligations hereunder) into or with which Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger or consolidation, be in default under any provision of this Agreement.

Section 13. Notices. Any notice required or permitted to be given by or to either party hereto shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid and addressed as set forth at the beginning hereof.

Section 14. Law Governing. This Agreement shall be construed in accordance with the laws 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, or

-depositing hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement shall be filed, recorded or deposited.

Section 15. Modification of Agreement. Except as specifically provided for under the terms of this Agreement, no modification, extension, waiver, renewal or termination of this Agreement, or any of its provisions, shall be binding on either party hereto unless made in writing on its behalf by the duly authorized representative of said party.

Section 16. Annual Reports. On or before February 28 in each year, commencing with the year 1972, Lessee will furnish to Lessor an accurate statement, as of the preceding December 1, (a) showing the amount, description and numbers of the Cars then leased hereunder, the amount, description and numbers of all Cars that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement, in the case of the first such statement), and such other information regarding the condition and state of repair of the Cars as Lessor may reasonably request and (b) stating that, in the case of all Cars repainted during the period covered by such statement, the markings required by Section 6 hereof shall have been preserved or replaced.

Lessor shall have the right, by its authorized representatives but shall be under no obligation, to inspect the Cars and Lessee's records with respect thereto, at such times as shall

- be reasonably necessary to confirm to Lessor the existence and proper maintenance thereof during the continuance of the lease embodied in this Agreement. Lessee's obligations respecting the Cars shall not be diminished in any manner by any failure of Lessor to so inspect.

Section 17. Opinion of Counsel. At the time this Agreement is executed, Lessee will deliver to Lessor two counterparts of the written opinion of counsel for Lessee, addressed to Lessor in scope and substance satisfactory to counsel for Lessor, to the effect that:

A. Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of its state of incorporation (specifying the same) with adequate corporate power to enter into this Agreement;

B. this Agreement has been duly authorized, executed and delivered by Lessee and constitutes valid, legal and binding agreements of Lessee, enforceable in accordance with its terms;

C. this Agreement has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recordation will protect Lessor's interest in and to the Cars and no filing, recording or deposit (or giving of notice) with any other federal, state or local government is necessary in order to protect the interests of Lessor in and to

the Cars;

D. no approval is required from any public regulatory body with respect to the entering into or performance of this Agreement;

E. the entering into and performance of this Agreement will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which Lessee is a party or by which it may be bound; and

F. no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of Lessee, now attaches to the Old Cars or hereafter will attach to the Cars or in any manner affects or will affect adversely Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of Lessee hereunder in and to the Cars.

Section 18. Recording; Expenses. Lessee will cause, at its expense, this Agreement and any assignment thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. Lessee will undertake the filing, registering, deposit and recording required of Lessor hereunder and will from time to time do and perform any other act and will execute, acknow-

ledge, deliver, file, register, record (and will file, re-register, deposit and redeposit and re-record whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to its satisfaction, of Lessor's interests in the Cars, or for the purpose of carrying out the intention of this Agreement; and Lessee will promptly furnish to Lessor evidences of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor. This Agreement will be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Car.

Section 19. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 20. Miscellaneous. Any other provision contained in this Agreement to the contrary notwithstanding, it is hereby agreed that all provisions of this Agreement, unless the context thereof shall be clearly inappropriate by its terms, shall survive the termination of the leasing of the Cars under

the terms of the lease embodied in this Agreement.

Subject to the provisions hereof, this Agreement shall bind and inure to the benefit of the parties hereof and their respective successors and assigns.

The parties hereto agree that, in connection with the performance of all acts and duties required hereunder, time is of the essence of this Agreement.

IN WITNESS WHEREOF, INTENDING TO BE LEGALLY BOUND HEREBY, Lessor and Lessee, each pursuant to due corporate authority, have caused these presents to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, as of the date first above written.

ATTEST:

THE PHILADELPHIA NATIONAL BANK

R. H. Turner
Title *COMMERCIAL OFFICER*

By W. R. Ruckie
Vice President

Corporate Seal

ATTEST:

APPROVED
AS TO FORM

READING COMPANY

amarnes
Title *Secretary*

By J. J. [Signature]
Vice President

Corporate Seal

COMMONWEALTH OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this *10th* day of *Sept.*, 1971, before me personally appeared *WILLIAM T. RISKIE*, to me personally known, who, being by me duly sworn says that he is a Vice President of The Philadelphia National Bank, that one of the seals affixed to the foregoing instrument is the corporate seal of the said association, that said instrument was signed and sealed on behalf of said association 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 association.

ROSE A. CRAGIN

Notary Public, Philadelphia, Philadelphia Co.

My Commission Expires January 20, 1974

Rose A. Cragin
Notary Public

Philadelphia, Philadelphia Co.

(Notarial Seal)

COMMONWEALTH OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this *16th* day of *September*, 1971, before me personally appeared *JR 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.

Richard S. Williams
Notary Public

Philadelphia, Philadelphia Co.

Notary Public, Philadelphia, Philadelphia Co.

My Commission Expires January 17, 1974

(Notarial Seal)

Exhibit A

List of 40-foot steel box cars to be sold to
The Philadelphia National Bank
for rebuilding by and leasing to Reading Company.

Reading Company class and road number

Class XMY (30 cars)	106064	106544	107199
	106166	106620	107211
	106287	106681	107254
	106311	106776	107268
	106345	106777	107273
	106346	106793	107297
	106348	107023	107304
	106374	107080	107380
	106386	107094	107420
	106426	107152	107462
	Class XMA (10 cars)	107507	107700
107523		107814	107971
107528		107819	107999
107532			
Class XMB (60 cars)	108023	108242	108337
	108028	108248	108343
	108036	108258	108363
	108066	108259	108376
	108071	108264	108395
	108094	108269	108403
	108102	108282	108405
	108119	108284	108409
	108137	108290	108411
	108148	108292	108414
	108159	108301	108417
	108162	108314	108427
	108163	108315	108429
	108172	108318	108448
	108173	108319	108449
	108202	108322	108450
	108213	108326	108454
	108217	108329	108489
	108230	108331	108495
108241	108334	108497	

READING COMPANY
Office of Chief Mechanical Officer

Specifications for Rehabilitation

Specifications for Rebuilding of 100 Box Cars, Class XMB (60 cars), series 108000 to 108499, XMY (30 cars) 106000 to 107499 and XMA (10 cars), series 107500 to 107999, at Reading Shops.

1. Remove all flooring, side lining, end lining and wooden door posts.
2. Exterior of car to be sandblasted to bare metal. Interior of roof to be "brush" sandblasted to remove scale.
3. Apply one coat of primer paint immediately after blasting.
4. Apply car cement or zinc chromate primer to underframe, and car cement or primer inside, sides and ends, 18" up from floor.
5. Trucks to be dismantled to insure all parts meet interchange requirements for cars undergoing general repairs. All brake beams to be replaced with new hanger type #18 beams to accommodate composition brake shoes.
6. All trucks to be Barber S-2-A, stabilized with 2½" travel truck springs applied. Snubbing device to be gauged and replaced where required.
7. Couplers to be examined, all parts gauged and reconditioned to AAR requirements. All cars to have reconditioned coupler yokes and reconditioned draft gears applied.
8. All body bolsters will be removed and replaced with bolster weldment each end of car, AAR Plate No. 1535. The weldment to be new steel, new design web plates, top and bottom plates welded to specification. Center plates and striker castings repaired as required.
9. Additional 3" "I" beam floor stringers to be applied both sides of center sill between body bolsters. Floor supports to be provided from bolster to end of car. The area of door posts and side sill juncture to be strengthened by use of 3/8" gussets with matching plates on the inside.
10. Side sills to be replaced as required in area of door opening, and threshold plates replaced as required.

(2)

11. All end sill angles to be renewed, ends to be repaired with plates and straightened on car as required.
12. Floors to be renewed with 2-3/8" Y.P. T&G flooring. Decking to be applied with a minimum of three bolts per board, secured to stringers and side sill with floor clips.
13. All inside lining to be renewed with good grade T&G yellow pine.
14. Doors to be repaired as necessary, door fixtures to be renewed as necessary with no unsightly patching. Safety hangers to be applied. Door to work freely. No direct light is to be seen when doors are closed and inspected from inside of car. New doors to be applied as required.
15. All air brakes are to be cleaned, regardless of last cleaning date. All new 1-1/4" E.H. train line to be applied with all welded fittings. Angle cocks to be relocated per AAR requirements. Control valve upgraded to ABC-1 with QR Valve. Brake cylinder to be rebushed to 7-1/2" diameter. Air brake hose to be renewed.
16. Truck side frames to be modified to accommodate roller bearing application. Wheels to be new 33" diameter wrought steel 1 Wr, AAR Standard design J-33, Class "U". Axles, 5 1/2 x 10" to be modified for roller bearing application.
17. All new hand brakes to be applied and must be compatible to use of composition brake shoes and automatic brake regulators applied to all cars.
18. Roof running boards to be removed. Safety appliances to be in accordance with latest D.O.T. specifications for house cars.
19. All brake steps to be AAR approved metal type.
20. Cars to be painted, stencilled and numbered in accordance with company practice.
21. Workmanship and materials to be satisfactory in all respects.
22. Supervision will be provided to insure all requirements of the specifications are met.

RS:mjk
4/16/71

Exhibit C

CERTIFICATE OF ACCEPTANCE

Under Lease of Railroad Equipment dated as of August 27, 1971.

The undersigned, being the duly authorized agent of The Philadelphia National Bank (Bank) and duly authorized representative of Reading Company (Reading), respectively, hereby certifies that the following rehabilitated 40-foot steel railroad box cars referred to in the Agreement to Acquire and Lease Railroad Equipment (Lease) between the Bank and Reading, dated as of August 27, 1971,

Quantity	Reading's Identifying Numbers	Date
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have been duly delivered to the Bank in good order and accepted by the undersigned on behalf of the Bank on the date shown above and in turn have been duly delivered by the Bank to Reading as lessee under the Lease and have been duly accepted by the undersigned on said date on behalf of Reading under the provisions of the Lease.

The undersigned further certifies that at the time of its delivery to the Bank and Reading each car covered by this Certificate was properly marked on each side thereof with the legend provided in Section 6 of the Lease.

Agent for
The Philadelphia National Bank

Authorized Representative of
Reading Company

EXHIBIT D

SCHEDULE OF STIPULATED LOSS VALUES

Percentage of Lessor's purchase and rehabilitation costs of the cars to be paid pursuant to sections 8 and 10 of that certain agreement to acquire and lease made between Reading Company and The Philadelphia National Bank as of August 27, 1971.

<u>Quarter</u>		<u>Quarter</u>	
1	101	21	52
2	98	22	49
3	95	23	47
4	92	24	44
5	88	25	42
6	85	26	39
7	82	27	37
8	79	28	34
9	77	29	32
10	74	30	30
11	72	31	28
12	70	32	25
13	68	33	23
14	66	34	21
15	64	35	19
16	62	36	17
17	60	37	15
18	58	38	13
19	57	39	11
20	55	40	10
		Thereafter	10