

JUL 22 1974 - 3:33 P.M.

PENNSYLVANIA COMMERCE COMMISSION

AGREEMENT TO ACQUIRE AND LEASE

THIS AGREEMENT dated as of the 22nd day of July, 1974 between U. S. STEEL LEASING CO., INC., a Delaware corporation ("lessor") and HAMMERMILL PAPER COMPANY, a Pennsylvania corporation ("lessee").

WHEREAS, the lessee has agreed to purchase from United States Leasing Corporation (the "Seller") certain equipment (collectively the "Equipment" and individually an "Item of Equipment") described in the Schedule of Equipment which is attached as Exhibit 2 hereto, pursuant to an Agreement to Acquire and Lease (the "Agreement"), dated as of May 15, 1974, between the Seller and lessee;

WHEREAS, the lessee desires to lease, rather than to purchase, the Equipment;

WHEREAS, lessor is willing to purchase the Equipment and lease it to the lessee on the terms and conditions of this Agreement and on the terms and conditions of the lease hereinafter defined; and

WHEREAS, it is contemplated that simultaneously with the execution of this Agreement, the lessor and

lessee will enter into an Equipment Lease Agreement ("lease"), substantially in the form of Exhibit 5 attached hereto, leasing the Equipment to lessee, which lease will be filed with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act.

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

1. ASSIGNMENT OF AGREEMENT.

The lessee hereby assigns to the lessor all of its right, title and interest (but none of the lessee's duties or obligations) with respect to the Equipment under the Agreement. The lessee represents and warrants that after execution by the Seller of a Consent to Assignment substantially in the form attached hereto as Exhibit 1, the Seller will be bound to the lessor to sell and deliver the Equipment at the prices set forth in Exhibit 2 attached hereto and prior to July 22, 1974 and at the places set forth in Exhibit 2 or at such other point or points within the United States of America as shall be designated by lessor. The lessee shall, at all times, be and remain solely liable for the performance of all

duties and obligations under all agreements of any nature between the lessee and the Seller.

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE LESSEE.

In furtherance of the foregoing assignment, the lessee represents, warrants and agrees (a) the Agreement or a true and correct copy thereof complete with any and all supplements or amendments thereto and other agreements of any kind or nature relating to the Equipment are attached as Exhibit 3 hereto; (b) the lessee has made no previous assignment of the Agreement or of any interest of any nature therein and there are no financing statements or filings or recordings with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act or other similar filings, recordings or notices on file in any public office with respect to the Agreement or the Equipment which have not been discharged or released; (c) the lessee has made no down payment or advance of money in respect of the Equipment to the Seller as of the date of this Agreement other than payments in the amount of \$ 6,063.70 as Interim Rent pursuant to the Agreement; (d) upon and as of the time of final payment to the Seller for any Item of

Equipment pursuant to paragraph 4 hereof, the lessor shall acquire title thereto free and clear of liens and encumbrances, including without limitation, claims of all persons having any interest in the premises at which the Equipment is to be located and claims of all persons claiming by, through or under the lessee; (e) the making and performance of this Agreement and the lease have been duly authorized by all necessary corporate action on the part of the lessee and do not violate the Articles of Incorporation or By-Laws of the lessee or any contract to which the lessee is a party (including the Agreement) nor any laws or governmental regulations and do not require the approval of any governmental agency or authority; (f) the lessee shall obtain from the Seller substantially in the form attached hereto as Exhibit 1, an executed copy of the Consent to Assignment; (g) the total cost of the Equipment will not exceed the amount of \$297,200.00 as set forth in the Letter Agreement between lessor and lessee dated May 3, 1974; and (h) the lessee shall immediately inspect each Item of Equipment upon delivery thereof and will accept those Items of Equipment which conform to the obligations of the Seller thereof and the lessee agrees not to unreasonably withhold such acceptance.

3. CERTAIN CONDITIONS.

It is a condition precedent to the obligations of the lessor hereunder that (a) the Seller shall execute a Consent to Assignment in substantially the form of Exhibit 1 attached hereto, (b) the Seller shall, concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, deliver to the lessor an opinion of counsel for the Seller substantially in the form of Exhibit 6 attached hereto with such additions as lessor may reasonably request, (c) lessee shall, concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, deliver to lessor an opinion of counsel for lessee substantially in the form of Exhibit 7 attached hereto with such additions as lessor may reasonably request, (d) lessee shall, concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, deliver to lessor an opinion of special counsel, satisfactory to lessor, substantially in the form of Exhibit 8 attached hereto with such additions as lessor may reasonably request and (e) all representations and warranties of lessee made in connection with this Agreement and the lease shall be true on and as of the date of execution of any schedule to the lease relating to the Equipment. Lessee

also agrees to furnish to lessor such evidence of corporate authorization as may be reasonably requested by lessor.

4. PURCHASE OF EQUIPMENT.

The lessor will purchase each Item of Equipment upon receiving evidence to the lessor's satisfaction that (a) all of the terms and conditions of this Agreement, the lease, the Letter Agreement dated May 3, 1974 between lessor and lessee and all other agreements between the lessor and lessee have been satisfied, (b) the lessee has accepted the Items of Equipment for the purposes of the lease by delivering to lessor an executed Certificate of Acceptance therefor in the form attached hereto as Exhibit 4 (which shall be conclusive evidence that the Item of Equipment covered thereby has been delivered to lessee and is acceptable to lessee) and (c) all Items of Equipment have been delivered to the places set forth in Exhibit 2 attached hereto (unless otherwise agreed by lessor). The lessee shall be and remain liable to the Seller under the Agreement with respect to any Item of Equipment not so purchased by the lessor for any reason whatsoever. Concurrently with the purchase of the Equipment by the lessor, lessor will lease the Equipment

to lessee and lessee will hire the same from lessor on the terms and conditions of the lease.

5. INDEMNITY.

The lessee agrees to assume liability for and to indemnify, defend, save and hold lessor harmless from and against any and all loss, damage, cost or liability imposed on, incurred by or asserted against lessor (whether or not also indemnified against by the Seller or any other person) in any way relating to or arising out of the Agreement, this Agreement, the lease or the manufacture, delivery, purchase, acceptance or rejection of the Equipment (including without limitation counsel fees and expenses, claims for patent, trademark or copyright infringement and the amount of any sales, use or other taxes and insurance, duty, freight or other expenses not paid or discharged at the time of payment for the Equipment hereunder and all penalties and interest) and whether or not due to, or based upon, any active or passive negligence of lessor or any strict liability imposed upon lessor.

6. RECORDING.

Lessee, at its own expense, will promptly cause this Agreement and any other agreements or instruments executed in connection herewith to be filed and recorded

with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act if necessary, in the opinion of lessor, to protect lessor's right, title and interest in and to the Equipment.

7. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, any one of which, when so executed and delivered, shall be an original, but all counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 22nd day of July, 1974.

U. S. STEEL LEASING CO., INC.

By [Signature]
VICE PRES.

(Seal)

Attest:

[Signature]
ASST. SECY.

HAMMERMILL PAPER COMPANY

By [Signature]
Vice President

(Seal)

Attest

[Signature]
Asst Sec.

CONSENT TO ASSIGNMENT

The undersigned Seller, UNITED STATES LEASING CORPORATION, (the "Seller") acknowledges receipt of an executed copy of an Agreement to Acquire and Lease (the "Acquisition Agreement") dated as of July 22, 1974, between U. S. STEEL LEASING CO., INC., (the "Buyer") and HAMMERMILL PAPER COMPANY (the "Lessee") and as part of the consideration for the performance by the parties thereto of their obligations thereunder:

1. Consents to the assignment by the Lessee to the Buyer of the Seller's obligation to sell and deliver the equipment (the "Equipment") described in the Agreement to Acquire and Lease between Lessee and Seller dated as of May 15, 1974 (the "Agreement"), and agrees that none of the duties or obligations of the Lessee under any agreements of any nature between the Seller and the Lessee or any other agreement of the Lessee have been assigned to or in any manner assumed by the Buyer.

2. Represents and warrants that the Agreement was duly authorized, executed and delivered by Seller and is a valid and binding obligation of the Seller enforceable in accordance with its terms and is currently in full force and effect.

3. Agrees that the purchase price for the Equipment shall not exceed the amount of \$297,200.00 and agrees, on or before July 22, 1974 (which date may be altered only by a statement in writing signed by the Buyer) (a) Seller shall have delivered the Equipment to Lessee and (b) Buyer shall have received in writing from Lessee its certificate of acceptance of said Equipment.

4. Represents, warrants and agrees that, upon final payment of the purchase price, title to the Equipment shall be vested in Buyer free and clear of liens and encumbrances of any kind whatsoever and that upon request of the Buyer the Seller will furnish to Buyer such evidence of lien-free title as may be reasonably requested, including but not limited to (a) a full warranty Bill of Sale, except any warranty, express or implied, as to the fitness or merchantability of the Equipment, (b) an opinion of Seller's counsel that the Seller's Bill of Sale is valid and effective to transfer good title for the Equipment and (c) a release of all of Seller's right, title and interest in and to the Equipment by virtue of the Agreement and evidence of the filing or recording thereof with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act.

5. Agrees that all invoices and other documents relative to title to the Equipment covered by the Agreement shall be issued showing that such Equipment has been sold to:

U. S. Steel Leasing Co., Inc.
71 Broadway
New York, New York 10006

Dated: , 1974

UNITED STATES LEASING CORPORATION

By _____

ATTEST:

Secretary

SCHEDULE OF EQUIPMENT

<u>Description</u>	<u>Price</u>	<u>Place of Delivery</u>
52 Used 50 Ton Gondola Cars	\$297,200.00	Kaukauna, Wisconsin

Lettered and Numbered:

TPPX 30101 to 30152,
Inclusive

EXAMINED BY 5 COUNTERPARTS OF WHICH THIS IS COUNTERPART No. 3

7519

RECORDATION NO. _____ Filed & Recorded

MAY 22 1974 - 4 40 PM

INTERSTATE COMMERCE COMMISSION

AGREEMENT TO ACQUIRE AND LEASE

Dated as of May 15, 1974

Between

UNITED STATES LEASING CORPORATION
as Lessor

and

HAMMERMILL PAPER COMPANY
as Lessee

AGREEMENT TO ACQUIRE AND LEASE

RE: HAMMERMILL PAPER COMPANY

AGREEMENT TO ACQUIRE AND LEASE dated as of May 15, 1974 between UNITED STATES LEASING CORPORATION, a California corporation, as Lessor (the "Lessor") and HAMMERMILL PAPER COMPANY, a Pennsylvania corporation, as Lessee (the "Lessee")

RECITALS:

A. The Lessee has agreed to lease fifty-two (52) used 50 ton Gondola Cars, (the "Equipment" and individually, "Item of Equipment"), lettered and numbered TPPX 30101 to 30152, inclusive;

B. The Lessor is willing to purchase for a total purchase price of \$297,200.00 (the "Purchase Price"), the Equipment and lease it to the Lessee on the terms and conditions of Section 4 of this Agreement (the "Interim Lease").

THE LESSOR AND THE LESSEE HEREBY AGREE:

Section 1. Purchase of Equipment. Subject to the conditions set forth in Section 3 hereof, the Lessor agrees to purchase the Equipment from North Western Leasing Company for the Purchase Price and on the Delivery Date as specified in the Notice of Acceptance and to pay for the Equipment in accordance with the invoices for the Equipment delivered to the Lessor with the Notice of Acceptance pursuant to Section 3 hereof.

Section 2. Acceptance of Equipment. The Lessee shall immediately inspect each Item of Equipment upon delivery thereof and will accept the Items of Equipment as specified in Recital A herein. Such acceptance shall be for the account of the Lessor

and thereupon title to the Equipment so accepted shall vest in the Lessor, and the Lessor shall own each such Item of Equipment, subject, however, to a lease of each such Item of Equipment to the Lessee on the terms and conditions of the Interim Lease.

Section 3. Conditions of Purchase. The obligations of the Lessor to purchase the Equipment are subject to the following express conditions precedent: (a) the Lessee shall agree to the terms and conditions of this Interim Lease (b) the Lessee shall have given invoices from the North Western Leasing Company addressed to the Lessor for the number of cars and in the aggregate purchase price stated in the Notice, together with a Certificate of Acceptance covering the Equipment; (c) the Lessor shall have received such other evidence as it may reasonably require of its title to the Equipment, the purchase price thereof and as to such other matters as it or its counsel may reasonably require.

Section 4. Interim Lease. Upon payment for the Equipment by the Lessor, (Delivery Date) the Lessor shall thereupon lease the Equipment to the Lessee and the Lessee shall lease the Equipment from the Lessor upon the terms and conditions of this Section 4. The term of the Interim Lease shall expire on the earlier of (a) the purchase by the Lessee of the Equipment as provided in Section 5 hereof or (b) the execution and delivery of a long term equipment lease with respect to the used equipment ("Equipment Lease") in conformity with the terms and conditions contained in that letter agreement dated May 3, 1974 between Lessee and U.S. Steel Leasing, Co., Inc. ("Steel") attached as Exhibit A hereto (the "Agreement"). The date such Equipment Lease is entered into by Steel and the Lessee shall be herein called the "Closing Date".

The Lessee shall pay the Lessor an Interim Daily Rental for the Term of the Interim Lease beginning with the Delivery Date. Such Interim Daily Rental shall be computed daily and be an amount equal to the daily Prime Rate plus 1% ("Prime Rate" being that daily rate of interest per annum in effect at Morgan Guaranty Trust Company, New York, New York) multiplied by the Purchase Price for the Equipment paid by Lessor pursuant to Recital B hereof ("Lessor's Cost") for thirty (30) days from and including the Delivery Date or the Closing Date whichever date first occurs (which Rental is herein called "First Interim Daily Rental"). If the Equipment Lease is not entered into in the thirty (30) days following the Delivery Date the Lessee shall pay Interim Daily Rental for the next thirty (30) days or until the Closing Date whichever date first occurs (which Rental is herein called the "Second Interim Daily Rental"). Such Second Interim Daily Rental shall commence from the thirty-first (31st) day following the Delivery Date, and shall be computed daily using the Prime Rate multiplied by Lessor's Cost. The First Interim Daily Rent amount and any Second Interim Daily Rent amounts due hereunder shall be paid to Lessor on the Closing Date or as provided in Section 5 herein. Such amounts shall be paid to Lessor at 633 Battery Street, San Francisco, California, 94111 or such other place as designated by Lessor. In any event, this Interim Lease shall expire sixty (60) days after the Delivery Date.

The Lessee shall pay the Interim Daily Rental without abatement, set-off or counter claim. The Lessee assumes full risk for any loss or damage to the Equipment, and will repair, maintain and make replacements of said Equipment, and all parts and related equipment thereto, transferring to the Lessor, at the expense of the Lessee, title to any such replacements, at which time title to the corresponding parts and equipment replaced shall be transferred by the Lessor to the Lessee. The Lessor makes no warranty or representation, either expressed or implied,

as to the fitness or merchantability of the Equipment, but the Lessor does hereby assign to the Lessee, and appoint the Lessee as its agent to enforce against the North Western Leasing Company and any other person in the name of and for the account of the Lessor and the Lessee, as their interest may appear, whatsoever claims and rights the Lessor may have as the owner of the Equipment against the former owner and such other persons. The Lessee shall comply with all applicable governmental laws, regulations, requirements and rules, and shall maintain the ~~property insurance and~~ public liability insurance protecting the Lessor and the Lessee. Lessee shall also be liable for any and all sales and/or use taxes and property taxes arising out of this Interim Lease. The Lessee shall indemnify and hold harmless the Lessor as provided in Section 6 hereof during the term of this Interim Lease. If the Lessee shall breach any of the obligations provided in this Section 4, the Lessor may, at its selection, by written notice to the Lessee, terminate this Interim Lease, whereupon the Lessee shall within five (5) days purchase the Equipment for a Purchase Price equal to Lessor's Cost plus Interim Daily Rental accrued to the date such Purchase Price is paid to the Lessor. This Interim Lease shall terminate upon such purchase. The Lessor may further take all such action at law or in equity to recover all damages suffered by it as a result of such breach, including its cost and reasonable attorneys' fees.

Section 5. Equipment Lease. The Lessor and the Lessee acknowledge and agree the Equipment has been purchased by the Lessor on the basis that Steel will purchase the Equipment from Lessor and will lease the Equipment to the Lessee and the Lessee will lease the Equipment from Steel on the terms and conditions (including any additional or modified terms and conditions contained in the Agreement) and that the parties will use their best efforts to cause the Lease provided for in the Agreement to be executed and delivered on or before sixty (60) days after the Delivery Date. In the event that the Equipment Lease is not

executed and delivered on or before the termination of such 60-day period, the Interim Lease shall terminate and the Lessee shall pay the Lessor an amount equal to the Lessor's Cost of the Equipment plus all First and Second Daily Interim Rental accrued to the date of such payment and the Lessor shall transfer to the Lessee all right, title and interest of the Lessor in the Equipment free of liens and encumbrances created by the Lessor. Lessee will be liable for any and all sales and/or use taxes arising out of its purchase of said Equipment and any such taxes that may arise out of the sale of the Equipment by Lessor. In the event the Equipment Lease is executed and delivered the Interim Lease shall thereupon terminate and the Interim Daily Rental accrued to the date of termination shall become due and payable on the Closing Date.

Section 6. Indemnity. The Lessee hereby agrees to indemnify and hold the Lessor and its respective successors, assigns, directors, officers and agents, harmless from and against any and all losses, claims, liabilities and expenses which arise out of or relate to the purchase, acceptance, ownership and delivery of the Equipment (including claims for patent, trademark or copyright infringement and including claims arising out of the doctrine of strict liability in tort). During the term of Interim Lease period provided for herein Lessee will indemnify, defend and hold harmless Lessor from any and all liabilities including but not limited to any death, accident or bodily injury to any person or persons or damage to the Equipment, all claims, demands, costs and expenses (including legal fees and expenses) of any kind and nature that arise out of Lessee's use of the Equipment.

This Agreement to Acquire and Lease may be executed in any number of counterparts, each executed counterpart

constituting an original, but all together only one Agreement to Acquire and Lease.

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

UNITED STATES LEASING CORPORATION
Lessor

By Charles D. Van Sickle
Its Vice President

HAMMERMILL PAPER COMPANY
Lessee

By D. S. [Signature]
Its Executive Vice President

STATE OF CALIFORNIA, CITY) ss.
AND COUNTY OF SAN FRANCISCO)

On this 15th day of May, 1974, before me personally appeared Charles Van Sickle, to me personally known, who being by me duly sworn says that he is the Vice President of UNITED STATES LEASING CORPORATION, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Karen E. Johnson
Notary Public

STATE OF PENNSYLVANIA.)
COUNTY OF ERIE) SS.

On this 17th day of May, 1974, before me personally appeared D. S. Leslie, Jr., to me personally known, who being by me duly sworn says that he is the Executive Vice President of HAMMERMILL PAPER COMPANY, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

Susanne E. Schaller
Notary Public

SUSANNE E. SCHALLER, NOTARY PUBLIC
ERIE, ERIE COUNTY, PENNSYLVANIA
MY COMMISSION EXPIRES JULY, 21, 1975



**U. S. Steel
Leasing Co., Inc.**

a Subsidiary of United States Steel Corporation

71 BROADWAY
NEW YORK, NEW YORK 10006
212/558-4444

May 3, 1974

Hammermill Paper Company
P. O. Box 1440
Erie, Pennsylvania 16512

Attention of Mr. D. C. Wright, Jr.
Assistant Treasurer

Gentlemen:

We hereby agree to enter into a leasing transaction with you, and you agree to enter into a leasing agreement with us under the following terms and conditions.

Lessor:	U. S. Steel Leasing Co., Inc.
Lessee:	Hammermill Paper Company.
Equipment:	A. Fifty-two (52) used gondola railroad cars to be purchased from United States Leasing Corporation, all of which must be acceptable to Lessor. B. Fifty (50) new North American gondola railroad cars, all of which must be acceptable to Lessor.
Lessor's Cost:	A. The aggregate total amount paid by Lessor for the equipment is not to exceed \$297,200.00. B. The aggregate total amount paid by Lessor for the equipment is not to exceed \$1,006,750.00 plus applicable taxes.
Lease Term:	A. Eight (8) years from each scheduling date. B. Fifteen (15) years from each scheduling date.

EXHIBIT A

May 3, 1974

Rental Payments:

A. Thirty-two (32) quarterly payments, each in arrears, and each equal to 4.4967 per cent of Lessor's cost.

B. Sixty (60) quarterly payments, each in arrears, and each equal to 2.9645 per cent of Lessor's cost.

Filing and Recording:

Lessee shall pay all costs of filing and recording with the Interstate Commerce Commission, including without limitation, fees of special counsel as to such filing and recording.

Interim Payments to Suppliers:

In the event you shall request us to purchase certain items of equipment covered by this Commitment Letter and pay the purchase price to the Supplier(s) thereof prior to the execution and delivery of a completed Schedule under the terms of the Lease, we shall do this subject to the terms and conditions as set forth in "Agreement Regarding Interim Payments to Suppliers".

Scheduling:

No more than five (5) Schedules shall be executed, and said Schedules shall cover equipment of not less than \$250,000.00 total cost.

Investment Tax Credit:

To the extent the equipment qualifies and to the extent it is permissible under the Internal Revenue Service Code and Regulations, the Lessor will pass on to Lessee the Investment Tax (Job Development) Credit.

Purchase Option:

At the expiration of the original term of the lease, you may purchase the equipment for its then fair market value.

Commitment Fee:

.6135 of 1 per cent of Commitment, \$9,000.00; receipt of which is hereby acknowledged.

Expiration Date of the Offer:

February 23, 1975.

May 3, 1974

The form, substance, and enforceability of all documents required by us in completing the transaction proposed in this Letter shall be satisfactory to our legal counsel. You further agree to give us such further documents as our counsel may consider necessary to protect our interest in the equipment.

We may, at our option, terminate our obligations under this Letter as to any portion of the equipment not subject to a specific Schedule executed and delivered by us and you if (a) Such portion of the equipment has not been delivered to and accepted by you prior to the Expiration Date of this Offer, or (b) There is (prior to said Expiration Date), in our opinion, an adverse change in your financial condition. You agree to give us immediate notice of any such adverse change. If we elect to terminate our obligations hereunder, you agree to purchase from us at our cost such excluded portions of the equipment as we have purchased or have become obligated to purchase hereunder and to indemnify us for any loss, cost, damage, or liability, incurred or suffered by us in connection with this transaction.

You certify by signing a copy of this Letter and returning it to us that the financial data which you have submitted to us constitute a true and complete statement of your financial condition and that there has been no material change to date in your financial condition as evidenced by the financial data you have submitted and upon which this Offer is based. You agree to provide us upon written request such other financial reports as we may require during the term of this commitment.

It is understood and agreed that, if and when we purchase and schedule equipment under this commitment with a total cost of \$1,303,950.00, the full Commitment Fee shall be returned to you as a credit against your liability for rent. In the event the Total Cost of the equipment we purchase and schedule under this commitment is for any reason less than \$1,303,950.00, we shall return to you at the time of scheduling as a credit against your liability for the rent that portion of the Commitment Fee which is equal to .6135 of 1 per cent of the cost of the equipment purchased and scheduled. Any portion of the Commitment Fee, which we are not specifically required to return to you in accordance with the foregoing, will be retained by us in consideration of our agreements herein. For example, if the Total Cost of the equipment purchased and scheduled by us is \$651,975.00, we will return to you the sum of \$4,000.00 as a credit against your liability for rent, and we will retain the sum of \$4,000.00.

Hammermill Paper Company

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May 3, 1974

We have arranged to have United States Leasing Corporation (USLC), 633 Battery Street, San Francisco, California 94111, assist us in the preparation and review of the documentation and in management of various matters in respect of the closings. You are invited to contact Mr. John G. Nobrega of USLC with any questions or comments on the transaction. His telephone number is (415) 445-7521.

If the terms of this Offer are acceptable to you, please sign the enclosed copy of this Letter at the foot hereof, and return it to us within ten (10) days of your receipt thereof.

Very truly yours,

U. S. STEEL LEASING CO., INC.

Joseph L. Brady
Assistant Treasurer

The terms of this Letter
are acceptable and agreed
to this _____ day of
_____, 1974.

HAMMERMILL PAPER COMPANY

By _____

Its _____

CERTIFICATE OF ACCEPTANCE

TO: U. S. STEEL LEASING CO., INC., as lessor under the Agreement to Acquire and Lease (the "Agreement") dated as of July 22, 1974 between U. S. Steel Leasing Co., Inc. and Hammermill Paper Company.

I, duly appointed and authorized representative of lessee under the Equipment Lease Agreement dated as of July 22, 1974 between the lessor and the lessee as named in such Equipment Lease Agreement, do hereby certify that I inspected, received, approved and accepted delivery under the Equipment Lease Agreement of the following Items of Equipment:

TYPE OF EQUIPMENT:

Used 50 ton Gondola Cars

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

Fifty-two (52)

NUMBERED:

TPPX 30101 to 30152, inclusive

I do further certify that each Item of Equipment described above is in good order and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to the requirements and provisions of the Agreement and the Equipment Lease Agreement.

I do further certify that each Item of Equipment described above has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item of Equipment in letters not less than one inch in height as follows:

"Owned by and leased from U. S. Steel Leasing Co., Inc., and subject to an Equipment Lease Agreement recorded with the I.C.C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the manufacturer or seller of the Equipment for any warranties it has made with respect to the Equipment.

Dated: , 1974

Inspector and Authorized Representative
of HAMMERMILL PAPER
COMPANY

EQUIPMENT LEASE AGREEMENT

THIS LEASE AGREEMENT ("lease") is dated as of the 22nd day of July, 19 74. The parties hereto are U. S. STEEL LEASING CO., INC., a Delaware corporation ("lessor") and HAMMERMILL PAPER COMPANY, a Pennsylvania corporation, having its principal place of business at:

1540 East Lake Road
Erie, Pennsylvania 16512

("lessee").

For and in consideration of the mutual covenants and promises hereinafter set forth, lessor and lessee hereby agree as follows:

1. Lease. Lessor hereby leases to lessee, and lessee hereby leases and hires from lessor, all machinery, equipment and other property described in the schedule or schedules in the form of Exhibit A, attached hereto, executed by the parties concurrently herewith or at any time hereafter. All said machinery, equipment and other property described in all said schedules is hereinafter referred to collectively as the "equipment" and individually as an "item of equipment". All said schedules are hereinafter collectively called "schedule".

2. Term. The term of this lease respecting each item of equipment commences upon whichever of the following dates is earlier:

(a) the date any purchase order, confirming purchase order or contract of any nature transfers any interest in any item of equipment to lessor or creates or gives rise to any obligation or liability on the part of lessor prior to actual delivery of any such item.

(b) the date said item of equipment is delivered to lessee.

The term of this lease with respect to each item of equipment ends on the date designated in the applicable schedule.

3. Rent. Lessee shall pay lessor rent for the equipment in the amounts and at the times set forth in the applicable schedule at the office of lessor: 71 Broadway, New York, New York 10006, or to such other person and/or at such other place as lessor may from time to time designate in writing.

4. Location and Use. The equipment shall at all times be used and operated in a careful and proper manner and in compliance with:

(a) all applicable laws, ordinances, rules and regulations. (Per attached Addenda hereto) -----#1

(b) all conditions and requirements of the policy or policies of insurance required to be carried under the terms of this lease.

(c) all manufacturer's instructions and warranty requirements.

If lessee's compliance with either (a) or (b) above requires changes or additions to be made on or to the equipment, such changes or additions shall be made by lessee at its own expense. If at any time during the term hereof lessor supplies lessee with labels, plates, decals or other markings stating that the equipment is owned by lessor, lessee shall affix and keep the same prominently displayed on the equipment or shall otherwise mark the equipment at lessor's request to indicate lessor's ownership. (Per attached Addenda hereto) -----#2

5. Lessee's Inspection; Conclusive Presumptions. Lessee agrees that it shall be conclusively presumed that lessee has fully inspected each item of equipment, that each item of equipment is in good condition and repair and that lessee is satisfied with and has accepted the same for all purposes of this lease upon the first to occur of the following:

(a) lessor's receipt from lessee of written confirmation, satisfactory to lessor, of lessee's acceptance and approval of such item of equipment; or

-(b) lessee's execution of a schedule covering the same.

If lessee has not furnished lessor with such confirmation or schedule within forty-eight hours after receipt of each item of equipment, lessee shall, upon lessor's request, assume all of lessor's rights and obligations, as purchaser of such item.

6. Lessor's Inspection. Lessor shall at any and all times during business hours have the right to enter into and upon the premises where the equipment may be located for the purpose of inspecting the equipment or observing its use.

7. Alterations. Lessee shall not make any alterations, additions or improvements to the equipment which significantly detract from its economic value or utility. All additions and improvements of whatever kind or nature made to the equipment shall belong to and immediately become the property of lessor and shall be returned to lessor with the equipment upon the expiration or earlier termination of this lease.

8. Repairs. Lessee, at its own expense, shall maintain and keep the equipment in good repair, condition and working order and shall furnish any and all parts, mechanisms, devices and labor required to keep the equipment in such condition.

9. Loss and Damage; Stipulated Loss Value. Lessee hereby assumes and shall bear the entire risk of loss or damage to the equipment from any and every cause whatsoever. No loss or damage to the equipment or any part thereof shall affect any obligation of lessee under this lease which shall continue in full force and effect.

Lessee shall advise lessor in writing promptly of any item of equipment lost or damaged and of the circumstances and extent of such damage.

In the event any item of equipment is lost or determined by lessor to be damaged beyond repair ("casualty loss"), lessee shall at lessor's option either:

(a) replace the same with like equipment in good repair, condition and working order and transfer title to such replacement item to lessor by bill of sale and other appropriate documents; or,

(b) pay lessor therefor in cash the "Stipulated Loss Value" calculated as set forth in the schedule on a date which is (i) sixty (60) days after the date of the casualty loss or (ii) the date of the next rent installment due under the applicable schedule, whichever date first occurs. Upon payment of Stipulated Loss Value, the obligation of lessee to pay rent shall terminate with respect to the item of equipment. Payment of Stipulated Loss Value which is due on a rent installment due date shall be made in lieu of the rent due for the item of equipment suffering the casualty loss and shall be accompanied by the payment of rent for all other items of equipment covered by the schedule;

provided, however, if no event of default hereunder shall have occurred and be continuing, a Casualty Loss shall be determined by lessee in its reasonable judgment and the aforesaid option shall be exerciseable by lessee.

Upon replacement of or payment for any item of equipment pursuant hereto, lessee thereupon shall become entitled to such item, as-is-where-is, without warranty, express or implied, with respect to any matter whatever. Lessor shall be entitled to any net salvage value realized by lessee in excess of the Stipulated Loss Value, after deducting all reasonable salvage expenses.

10. Surrender. Upon the expiration or sooner termination of this lease with respect to any item of equipment, lessee shall (unless lessee has paid lessor in cash the Stipulated Loss Value of such item of equipment pursuant to paragraph 9 hereof) return the same to lessor in good repair, condition and working order, ordinary wear and tear resulting from proper use thereof alone excepted, in the following manner as specified by lessor:

- (a) by delivering such item of equipment at lessee's expense to such place as lessor shall specify within a 100 mile radius of Chicago.

If lessor so requests, lessee shall, prior to returning any item of equipment to lessor, provide suitable and adequate storage space on lessee's property, and permit lessor to store such item of equipment in such storage space free of charge for a period not to exceed 90 days, during which period lessor will be allowed reasonable access thereto. Per Addenda attached hereto.

11. Insurance. Lessee shall keep and carry public liability insurance covering the equipment. All said insurance shall be in form and amount and with companies approved by lessor, and shall be in the joint names of lessor and lessee. Lessee shall pay the premiums therefor and deliver said policies, or duplicates thereof, to lessor. Each insurer shall acknowledge and agree by endorsement upon the policy or policies issued by it or by independent instrument furnished to lessor that it will make payment of any claims in respect of the equipment jointly to lessee and lessor for application in accordance with the terms of this lease and give lessor at least thirty (30) days written notice before the policy in question shall be altered or cancelled.

12. Taxes. In addition to the rent provided herein, and as a separate item, lessee shall pay or reimburse lessor for all taxes (exclusive of taxes based on lessor's net income or franchise taxes, unless such net income or franchise taxes are in substitution for or relieve lessee from any taxes which lessee would otherwise be obligated to pay under the terms of this section), fees, charges, licenses, and assessments, whatsoever, however designated, whether based on the rent or levied, assessed or imposed upon the equipment or upon or in respect of the manufacture, purchase, delivery, ownership, leasing, use or return of the equipment, now or hereafter levied, assessed or imposed during the term of this lease under the authority of a federal, state or local taxing jurisdiction, regardless of when and by whom payable. Applicable sales and use taxes will be added to the rent unless lessee provides direct payment authority or a valid exemption certificate.

13. Lessor's Payment. In case of failure of lessee to procure or maintain insurance or to pay fees, assessments, charges, taxes and expenses, all as herein required, lessor shall have the right, but shall not be obligated, to effect such insurance or pay said fees, assessments, charges, taxes and expenses. In that event, the cost thereof shall be repayable to lessor with the next installment of rent, and failure to repay the same shall carry with it the same consequence, including interest at the rate per annum shown in the schedule, as failure to pay any installment of rent.

14. Disclaimer of Warranties. LESSEE ACKNOWLEDGES THAT THE EQUIPMENT IS OF A SIZE, DESIGN, TYPE AND MANUFACTURE SELECTED BY LESSEE; THAT LESSOR IS NOT A MANUFACTURER THEREOF OR A DEALER THEREIN; THAT IT LEASES THE EQUIPMENT AS-IS, AND LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY AGREEMENT, REPRESENTATION OR WARRANTY WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT OR IN CONNECTION WITH, OR FOR THE PURPOSES AND USES OF LESSEE, OR ANY OTHER AGREEMENT, REPRESENTATION OR WARRANTY OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. Lessor does warrant, however, that it has whatever quality of title to the equipment it obtained from the manufacturer or supplier thereof, subject to this lease and any liens or encumbrances permitted hereby or which lessee is obligated to discharge or satisfy. Lessor agrees, so long as no event of default has occurred and is continuing hereunder, that lessee shall have the right to obtain the benefit of and enforce in lessee's own name and at lessee's sole expense any supplier's or manufacturer's warranty or agreement in respect of the equipment to the extent such warranty or agreement is assignable, and lessor shall execute and deliver such instruments as may be reasonably necessary to enable lessee to obtain such benefits.

15. Indemnification. Lessee does hereby assume liability for and does hereby agree to indemnify, protect, save and keep harmless lessor, its successors and assigns, from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including court costs and legal expenses, of whatever kind and nature, imposed on, incurred by or asserted against lessor or its successors and assigns (whether or not also indemnified against by any other person) in any way relating to or arising out of this lease or the manufacture, purchase, ownership, delivery, lease, possession, use, operation, condition, return or other disposition of the equipment by lessor or lessee, including without limitation, latent and other defects, whether or not discoverable by lessor or lessee; any claim for patent, trademark, or copyright infringement; and any claims arising out of strict liability in tort. Lessee agrees to give lessor, and lessor agrees to give lessee, prompt written notice of any claim or liability hereby indemnified against.

16. Default. Any of the following events or conditions shall constitute an event of default hereunder:

- (a) failure to pay when due any installment of rent, which failure shall continue for ten (10) days after the due date thereof;
- (b) nonpayment of any other amount provided for in this lease or any schedule when the same becomes due, or default by lessee in performing any obligation, term or condition of this lease or any other agreement between lessor and lessee or default under any agreement providing security for the performance by lessee of its obligations hereunder, provided such nonpayment or default shall have continued for more than ten (10) days;
- (c) if any writ or order of attachment or execution or other legal process is levied on or charged against any item of equipment by creditor of lessee and is not released or satisfied within ten (10) days;
- (d) if a final judgement for the payment of money in excess of \$25,000 shall be rendered by a court of record against lessee and lessee shall not discharge such judgement or provide for its discharge in accordance with the terms thereof within sixty (60) days from the date of entry thereof.
- (e) death or judicial declaration of incompetency of the lessee, if an individual;
- (f) the filing by or against lessee of a petition under the Bankruptcy Act or any amendment thereto or under any other insolvency law or law providing for the relief of debtors; the commission by lessee of an act of bankruptcy; the filing by or against lessee of a petition for reorganization under Chapter X of the Bankruptcy Act or any similar statute; or the filing by lessee of a petition for an arrangement under Chapter XI of the Bankruptcy Act or any similar statute;

- (g) the making of any general assignment by lessee for the benefit of creditors, the appointment of a receiver or trustee for lessee or for any of lessee's assets, or the institution by or against lessee of any other type of insolvency proceeding (under the Bankruptcy Act or otherwise) or of any formal or informal proceeding for the dissolution, liquidation, settlement of claims against or winding up of the affairs of lessee or the making by lessee of a transfer of all or ~~substantially all~~ of lessee's assets or inventory not in the ordinary course of business: ***substantially all LOS**
- (h) the occurrence of any event described in parts 16(d), (e), (f) or (g) above with respect to any guarantor or any other party liable for payment or performance of this lease; or
- (i) if any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of lessee or any guarantor or other party liable for payment or performance of this lease proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or has omitted any substantial contingent or unliquidated liability or claim against lessee or any such guarantor or other party. (Per Addenda attached hereto)

17. Remedies. Upon the happening of any event of default, lessor may, at its sole discretion without demand or notice of any kind with respect to any or all schedules: #4

- (a) declare the entire amount of rent immediately due and payable as to any or all items of equipment.
- (b) sue for and recover all rents, and other payments, then accrued or thereafter accruing, with respect to any or all items of equipment.
- (c) take possession of any or all items of equipment, wherever same may be located, without any court order or other process of law. Lessee hereby waives any and all damages occasioned by such taking of possession. Any said taking of possession shall not constitute a termination of this lease as to any or all items of equipment unless lessor expressly so notifies lessee in writing.
- (d) terminate this lease as to any or all items of equipment.
- (e) pursue any other remedy at law or in equity.

Notwithstanding any said repossession or any other action which lessor may take, lessee shall be and remain liable for the full performance of all obligations on the part of lessee to be performed under this lease. (Per Addenda attached hereto)

18. Concurrent Remedies. No right or remedy herein conferred upon or reserved to lessor is exclusive of any other right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be enforced concurrently therewith or from time to time. #5

19. Lessor's Expenses. Lessee shall pay lessor all costs and expenses, including attorneys' fees, incurred by lessor in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions, or provisions hereof. (Per Addenda

20. Lessee's Assignment. Without the prior written consent of lessor, lessee shall not assign, transfer, pledge or attach hypothecate this lease, any item of equipment or any interest in this lease or the equipment or permit its rights or interests under this lease to be subject to any lien, charge or encumbrance of any nature. Lessee's interest herein is not assignable and shall not be assigned or transferred by operation of law. Consent to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by lessee or any other person. #6

Subject always to the foregoing, this lease inures to the benefit of, and is binding upon, the heirs, legatees, personal representatives, successors and assigns of the parties hereto.

21. Lessor's Assignment. All rights of lessor hereunder may be assigned, pledged, mortgaged, transferred, or otherwise disposed of, either in whole or in part, without notice to lessee but always, however, subject to the rights of lessee under this lease. If lessor assigns this lease or the rentals due or to become due hereunder or any other interest herein, whether as security for any of its indebtedness or otherwise, no breach or default by lessor hereunder or pursuant to any other agreement between lessor and lessee, should there be one, shall excuse performance by lessee of any provision hereof. No such assignee shall be obligated to perform any duty, covenant or condition required to be performed by lessor under the terms of this lease.

22. Ownership. The equipment is, and shall at all times be and remain, the sole and exclusive property of lessor and lessee shall have no right, title or interest therein or thereto except as expressly set forth in this lease. Lessee shall keep the equipment free and clear of all liens, encumbrances and charges of any nature imposed or asserted by persons claiming, by, through or under lessee.

23. Personal Property. The equipment is, and shall at all times be and remain, personal property notwithstanding that the equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to, or imbedded in, or permanently resting upon, real property or any building thereon, or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws or otherwise. If requested by lessor prior to or at any time during the term hereof with respect to any item of equipment, lessee will obtain and deliver to lessor waivers of interest or liens in recordable form, satisfactory to lessor, from all persons claiming any interest in the real property on which such item is installed or located.

24. Interest. Should lessee fail to pay any part of the rent herein reserved or any other sum required by lessee to be paid to lessor, within five (5) days after the due date thereof, lessee shall pay lessor interest on such delinquent payment from the due date until paid at the rate of interest per annum shown in the schedule.

25. Net Lease, Offset. This lease is a net lease, and lessee shall not be entitled to any abatement of rent or other payments due hereunder or any reduction thereof under any circumstances or for any reason whatsoever. Lessee hereby waives any and all existing and future claims, as offsets, against any rent or other payments due hereunder and agrees to pay the rent and other amounts hereunder regardless of any offset or claim which may be asserted by lessee or on its behalf. This lease shall not 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 item of equipment from whatever cause, the prohibition of lessee's use of the equipment or any item thereof, the interference with such use by any government, person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this lease, any lack of right, power or authority of lessor or lessee to enter into this lease or any other cause whether similar or dissimilar to the foregoing.

26. Financial and Other Covenants. Lessee hereby represents, warrants and agrees that:

- (a) If lessee is a corporation, it has been duly organized and is validly existing under the laws of the state of its incorporation and is duly qualified, licensed and in good standing in all jurisdictions in which qualification and licensing is necessary to enter into and perform lessee's obligations under this lease.
- (b) The execution and delivery of this lease, the addenda to the lease, the schedule, and all documents entered into in connection with this lease, such addenda and the schedule have been duly authorized by all necessary corporate or other action and do not require the consent, approval or withholding of objection by any person, party or governmental agency and this

lease and such other documents constitute the legal, valid and binding obligations of lessee enforceable against lessee in accordance with their respective terms.

- (c) The execution of this lease, the addenda to the lease and the schedule by lessee and the performance thereof do not violate any agreement to which lessee is a party or by which its property may be bound or affected.
- (d) All financial and other information furnished by lessee to lessor is true and correct as of the date of submission thereof and, as of the date hereof or any subsequent date on which lessee shall execute a schedule to this lease, there has not been any adverse change in such information or the financial condition of lessee since the date of such submission.
- (e) Lessee shall maintain a standard and modern system of accounting in accordance with generally accepted principles of accounting and will furnish to lessor or to such other person as lessor shall designate: (i) as soon as available but in no event more than one hundred twenty (120) days after the close of each fiscal year of lessee, a balance sheet, surplus analysis and profit and loss statement of lessee for the preceding fiscal year, all in reasonable detail, prepared and certified by an accounting firm acceptable to lessor, (ii) as soon as available but in no event more than fifteen (15) days after issuance copies of all notices, reports and other materials containing financial information relative to lessee which are distributed publicly or required to be filed or provided to any governmental agency and (iii) such other reports and information as lessor may reasonably require concerning the equipment including, without limitation, the status of its maintenance, use and condition, the financial condition of lessee and the compliance by lessee with the terms and conditions of this lease.

The foregoing representations, warranties and agreements shall continue throughout the term of the lease, except as otherwise provided herein.

27. Additional Documents. If requested by lessor, lessee shall execute, acknowledge, deliver to lessor, record and file such documents as lessor shall deem necessary or desirable to protect its interest in the equipment. Although this lease is intended to be a true lease, lessee, without limiting the generality of the first sentence of this paragraph, gives lessor the right to file financing statements with respect to the equipment under the Uniform Commercial Code, as amended, or other similar provisions of law, and authorizes lessor where permitted by law to make such filings without lessee's signature. (Per Addenda attached hereto)

28. Non Waiver. No covenant or condition of this lease can be waived except by the written consent of lessor. Forbearance or indulgence by lessor in any regard whatever shall not constitute a waiver of the covenant or condition to be performed by lessee to which the same may apply, and, until complete performance by lessee of said covenant or condition, lessor shall be entitled to invoke any remedy available to lessor under this lease or by law or in equity despite said forbearance or indulgence. #7

29. Entire Agreement. This instrument constitutes the entire agreement between lessor and lessee, and it shall not be amended, altered or changed except by a written agreement signed by the parties hereto.

30. Notices. Service of all notices under this agreement shall be sufficient if given personally or mailed to the party involved at its respective address set forth at the foot hereof or at such address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective when deposited in the United States mail, duly addressed, with postage prepaid.

31. Gender; Number. Whenever the context of this lease requires, the masculine gender includes the feminine or neuter and the singular number includes the plural; and, whenever the word "lessor" is used herein, it shall include all assignees of lessor. If there is more than one lessee named in this lease, the liability of each shall be joint and several.

32. Titles. The titles to the paragraphs of this lease are solely for the convenience of the parties and are not an aid in the interpretation of the instrument.

33. Time. Time is of the essence of this lease and each and all of its provisions.

34. Governing Law. This lease shall be governed by and construed in accordance with the law of the State of New York. (Per Addenda attached hereto) #8

35. Survival of Terms of Lease. Lessee's obligations and liabilities hereunder shall not be affected by the expiration or sooner termination of this lease.

36. (Per Addenda attached hereto) #9

The foregoing terms and conditions are supplemented and amended by, and are subject to, the terms and conditions set forth in the Addenda to Equipment Lease Agreement, dated as of July 22, 1974, between the parties hereto which is attached hereto and made a part hereof IN WITNESS WHEREOF the parties hereto have executed these presents as of the day and year first above written.

LESSOR:

LESSEE:

U. S. STEEL LEASING CO., INC.

HAMMERMILL PAPER COMPANY

By _____
Title

By R. O. Smith
Title Vice President

ATTEST: _____

ATTEST: J. B. Ender
Assistant Secretary

(Seal)

(Seal)

71 Broadway
New York, New York 10006

Address: P.O. Box 1440
Erie, Pennsylvania 16512

SCHEDULE NO. _____

Re:
EQUIPMENT LEASE AGREEMENT DATED AS OF
July 22, 1974
BY AND BETWEEN
U. S. STEEL LEASING CO., INC.
AS LESSOR
AND
HAMMERMILL PAPER COMPANY
AS LESSEE

The undersigned lessor and lessee under the Equipment Lease Agreement described in the caption hereof (the "lease") hereby acknowledge and agree that the items of equipment described in this schedule have been delivered to and are now in the possession of and have been unconditionally accepted by the lessee under and pursuant to and subject to all the terms and conditions of the lease and that the following is a description of said items, the expiration date of the lease term for said items, the location, rent, Stipulated Loss Value and applicable interest rate with respect to said items.

DESCRIPTION:

The description of the items of equipment covered by this schedule is set forth in the Description of Leased Equipment attached as Exhibit A hereto and hereby made a part of this schedule. The lessor and the lessee acknowledge and agree that the cost of each separate item of equipment for purposes of computing the Stipulated Loss Value thereof is the cost set forth in said Description.

LOCATION OF EQUIPMENT:

EXPIRATION DATE OF TERM:

RENT:

\$ _____ payable in 32 consecutive quarterly payments of _____ each, payable in arrears commencing _____, 19____.

STIPULATED LOSS VALUE:

The Stipulated Loss Value of equipment shall be the sum of (i) any past due rent payments, including interest applicable thereto, (ii) the product in dollars of the amount shown on Exhibit A to this schedule as the cost of the item or items of equipment with respect to which Stipulated Loss Value is payable under the lease and the percentage set forth on Exhibit B hereto which is appropriate to the number of rent payments lessee has actually paid to lessor, and (iii) all taxes, fee and charges payable as a result of or in connection with payment of the foregoing amount.

INTEREST RATE APPLICABLE TO ADVANCES OR LATE PAYMENTS:

15 % per annum.

Dated: _____

LESSOR:

LESSEE:

U. S. STEEL LEASING CO., INC.

HAMMERMILL PAPER COMPANY

By _____
Title

By _____
Title

ATTEST: _____
Secretary

ATTEST: _____
Secretary

(Seal)

(Seal)

71 Broadway
New York, New York 10006

Address: P. O. Box 1440
Erie, Pennsylvania 16512

EXHIBIT A TO SCHEDULE NO. _____

Re:
EQUIPMENT LEASE AGREEMENT DATED AS OF
July 22, 1974
BY AND BETWEEN
U. S. STEEL LEASING CO., INC.
AS LESSOR
AND
HAMMERMILL PAPER COMPANY
AS LESSEE

DESCRIPTION OF LEASED EQUIPMENT

COST*

*Includes taxes, installation, freight and other costs paid by lessor.

Opinion of Counsel

Concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, lessee will deliver to lessor the written opinion of counsel for Seller, dated such date, addressed to lessor and to any other person designated by lessor, in scope and substance satisfactory to them and their counsel, to the effect set forth below.

1. The Bill of Sale ("Bill of Sale") from United States Leasing Corporation (the "Company") to U. S. Steel Leasing Co., Inc. ("Lessor"), dated , 1974, the Agreement to Acquire and Lease (the "Agreement") dated May 15, 1974 between the Company and Hammermill Paper Company ("Lessee"), the Consent to Assignment of the Agreement by the Company and the Deed of Release (the "Release") dated , 1974 executed by the Company have been duly authorized, executed and delivered by the Company and are legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms.

2. The Bill of Sale is valid and effective to vest in the Lessor title to the items of equipment referred to therein free from all claims, liens, security interests and encumbrances of any nature.

3. The Release has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and is effective to release any right, title and interest of the Company in or to the equipment referred to in the Bill of Sale, and no filing, recording or deposit (or giving of notice) with any other Federal, state or local government or agency or instrumentality thereof is necessary to release and terminate all right, title and interest of the Company in and to the equipment referred to in the Bill of Sale.

4. Neither the execution and delivery of the Bill of Sale, the Agreement, the Consent to Assignment or the Release, nor the consummation of the transactions therein contemplated, nor compliance with the terms and provisions thereof, will contravene any provision of law, statute, rule or regulation to which the Company is sub-

ject or any judgment, decree, franchise, order or permit applicable to the Company, or will conflict or will be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the property or assets of the Company pursuant to the terms of, any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which it may be bound or to which it may be subject, or violate any provision of the Certificate of Incorporation or By-Laws of the Company.

Very truly yours,

Opinion of Counsel

Concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, lessee will deliver to lessor the written opinion of counsel for lessee, dated such date, addressed to lessor and to any other person designated by lessor, in scope and substance satisfactory to them and their counsel, to the effect set forth below.

As used herein, the following terms shall have the respective meanings hereinafter set forth:

"Lessee" shall mean Hammermill Paper Company.

"Lessor" shall mean U. S. Steel Leasing Co.,
Inc.

"Lease" shall mean the Equipment Lease Agreement and the respective Schedules thereto as supplemented, modified and amended by the Addenda to Equipment Lease Agreement between Lessor and Lessee, dated as of July 22, 1974.

"Agreement" shall mean the Agreement to Acquire and Lease, dated as of July 22, 1974 between Lessor and Lessee.

"Commitment Letter" shall mean the Letter Agreement dated May 3, 1974 between Lessor and Lessee.

"Equipment" shall have the same meaning as used in the Lease.

A. Lessee (i) is a duly organized and validly existing corporation in good standing under the laws of the state of its incorporation; (ii) has the corporate and other power and authority to own its property and assets and to transact the business which it is now conducting and as intended to be conducted pursuant to the Lease; (iii) is duly qualified or licensed as a foreign corporation in good standing in every jurisdiction in which the nature of the business in which it is engaged or proposes to engage makes such qualification or licensing necessary; and (iv) has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Agreement, the Lease and the other instruments contemplated thereby.

B. Neither the execution and delivery of the Agreement or the Lease or the Commitment Letter, nor the consummation of the transactions therein contemplated, nor compliance with the terms and provisions thereof, will contravene any provision of law, statute, rule or regulation to which Lessee is subject or any judgment, decree, franchise, order or permit applicable to Lessee, or will conflict or be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the property or assets of Lessee pursuant to the terms of, any indenture, mortgage, deed of trust, agreement or other instrument to which Lessee is a party or by which it may be bound or to which it may be subject, or violate any provision of the Certificate of Incorporation or By-Laws of Lessee.

C. There are no actions, suits or proceedings pending or threatened against or affecting Lessee before any court or before any governmental or administrative body or agency the outcome of which might materially and adversely affect the operations, business, property, assets or condition (financial or otherwise) of Lessee, except as stated in the Lessee's 1973 Annual Report to its shareholders.

D. The Agreement, the Lease and the Commitment Letter have each been duly authorized, executed and delivered by Lessee and constitute the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms. No approval of the stockholders of Lessee is required with respect to the authorization, execution and delivery of the Agreement, the Lease or the Commitment Letter.

E. The Lease and the Agreement have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, and will protect the Lessor's title and interest in and to the Equipment, and no other filing, recording or deposit (or giving of notice) with any other Federal, state or local government or agency or instrumentality thereof is necessary to protect the title and interest of the Lessor in and to the Equipment in the United States of America.

F. No authorization, approval or consent from any governmental, public or quasi-public body or authority of the United States of America, or of any of the States thereof or of any department or subdivision of any

thereof, is necessary to enable Lessee to lease the Equipment under the Lease or to execute, deliver and perform the terms and provisions of the Agreement, the Lease and the Commitment Letter.

G. 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 interest therein of the Lessee, now attaches or hereafter will attach to the Equipment or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee in and to the Equipment.

H. Lessee is not now in default under any indenture, agreement or instrument to which it is a party and no event has occurred or is continuing under any such indenture, agreement or instrument which with lapse of time and/or giving notice would constitute such an event of default.

Very truly yours,

Opinion of Counsel

Concurrently with the execution and delivery of each schedule to the lease relating to the Equipment, lessee will deliver to lessor the written opinion of special counsel, satisfactory to lessor, dated such date and addressed to lessor and to any other person designated by lessor, in scope and substance satisfactory to them and their counsel, to the effect set forth below.

As used herein, the following terms shall have the respective meanings hereinafter set forth:

"Lessee" shall mean Hammermill Paper Company.

"Lessor" shall mean U. S. Steel Leasing Co., Inc.

"Lease" shall mean the Equipment Lease Agreement and the respective Schedules thereto as supplemented, modified and amended by the Addenda to Equipment Lease Agreement between Lessor and Lessee, dated as of July 22, 1974.

"Agreement to Acquire and Lease" shall mean the Agreement to Acquire and Lease, dated as of July 22, 1974 between Lessor and Lessee.

"Equipment" shall have the same meaning as used in the Lease.

"Deed of Release" shall mean the Deed of Release, dated _____, 1974, by United States Leasing Corporation.

1. The Lease and the Agreement to Acquire and Lease were duly filed and recorded with the Interstate Commerce Commission ("I.C.C.") pursuant to the provisions of Section 20c of the Interstate Commerce Act, as amended, at _____ on _____, 1974 and assigned Recordation Number _____. Such recordation will protect the Lessor's title and interest in and to the Equipment and all fees in connection with such filing or recording have been paid and no filing, recording or deposit (or giving of notice) with any other Federal, state or local government or agency or instrumentality thereof is necessary to protect the title and interest of the Lessor in and to the Equipment in the United States of America.

2. Releases of the security interests in certain of the Equipment in favor of First Wisconsin National Bank

of Milwaukee, as provided in a Chattel Mortgage dated March 4, 1964 from North Western Leasing Company to First Wisconsin National Bank of Milwaukee (recorded at 11:30 a.m. on March 9, 1964 and assigned Recordation Number 2806), have been duly filed and recorded by the I.C.C. pursuant to the provisions of Section 20c of the Interstate Commerce Act, as amended, as Recordation Numbers 2806BB and 2806CC and are effective to release such security interests in the Equipment and no other filing or recording is necessary in connection therewith.

3. The Deed of Release, releasing all right, title and interest of United States Leasing Corporation in and to the Equipment, whether by virtue of the Agreement to Acquire and Lease, dated as of May 15, 1974, between United States Leasing Corporation and Lessee or otherwise, was duly filed and recorded at _____ on _____, 1974 and assigned Recordation Number _____ pursuant to the provisions of Section 20c of the Interstate Commerce Act, as amended, and is effective to release any and all interest of United States Leasing Corporation in and to any of the Equipment and no other filing or recording is necessary in connection therewith.

4. There is no filing or recording with the I.C.C. covering the Equipment which has not been discharged or removed of record except the filing and recording of the Lease and the Agreement to Acquire and Lease pursuant to the provisions of Section 20c of the Interstate Commerce Act, as amended.

Very truly yours,