

EQUIPMENT LEASE AGREEMENT

THIS LEASE AGREEMENT ("lease") is dated as of the 22nd day of July, 1974. 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

7578

RECORDATION NO. 7578 Filed & Recorded

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INTERNATIONAL COMMERCE COMMISSION

("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 exercisable 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.

#3

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) day;
- (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 ~~any material portion~~ <sup>\*substantially all</sup> of lessee's assets or inventory not in the ordinary course of business;
- (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.

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 attached hereto)

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 #7)

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.

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:

U. S. STEEL LEASING CO., INC.

By

Title

VICE PRES.

ATTEST:

ASST. SECY.

LESSEE:

HAMMERMILL PAPER COMPANY

By

Title

Vice President

ATTEST:

Assistant Secretary

(Seal)

71 Broadway  
New York, New York 10006

(Seal)

Address:

P.O. Box 1440  
Erie, Pennsylvania 16512

State of New York )  
County of *NEW YORK* ) ss.:

On this 22nd day of July, 1974, before me personally appeared *W.E. Lewellen* to me personally known, who, being by me duly sworn, says that he is the *VICE PRES.* of U. S. Steel Leasing Co., Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(NOTARIAL SEAL)

*Harriet A. Robbins*  
Notary Public

My commission expires:  
HARRIET A. ROBBINS  
NOTARY PUBLIC, State of New York  
No. 03-8592350  
Qualified in Bronx County  
Cert. filed in New York County  
Commission Expires March 30, 1976

State of Pennsylvania )  
County of Erie ) ss.:

On this 22nd day of July, 1974, before me personally appeared R. O. Smith, to me personally known, who, being by me duly sworn, says that he is the Vice President of Hammermill Paper Company, that one of the seals affixed to the foregoing instruments is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(NOTARIAL SEAL)

*Eleanore L. Loyer*  
Notary Public

My commission expires:

ELEANORE L. LOYER, NOTARY PUBLIC  
ERIE, ERIE COUNTY, PENNSYLVANIA  
MY COMMISSION EXPIRES DEC. 28, 1974

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:

U. S. STEEL LEASING CO., INC.

By \_\_\_\_\_  
Title

ATTEST: \_\_\_\_\_  
Secretary

LESSEE:

HAMMERMILL PAPER COMPANY

By \_\_\_\_\_  
Title

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.

EXHIBIT B 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

After Receipt  
of Rent  
Payment No.

Number of Rent  
Payments Remaining

Stipulated Loss  
Value Percentages

SCHEDULE NO. 1

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: KAUKAUNA, WISCONSIN

EXPIRATION DATE OF TERM: OCTOBER 22, 1982

RENT:  
\$ 427,654.08 payable in 32 consecutive quarterly payments of  
13,364.19 each, payable in arrears commencing October 22, 1974.

STIPULATED LOSS VALUE:

The Stipulated Loss Value of equipment shall be the sum of (i) any past due rent payments, including interest applicable thereto, and (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, fees 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: JULY 22, 1974

LESSOR:

U. S. STEEL LEASING CO., INC.

By [Signature]  
Title VIC. PRES.

ATTEST: [Signature]  
ASST. SECY.

LESSEE:

HAMMERMILL PAPER COMPANY

By [Signature]  
Title Vice President

ATTEST: [Signature]  
Asst. Sec.

(Seal)

(Seal)

71 Broadway  
New York, New York 10006

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

State of New York )  
County of *New York* ) ss.:

On this 22nd day of July, 1974, before me personally appeared *W. E. Lewellen* to me personally known, who, being by me duly sworn, says that he is the *Vice President* of U. S. Steel Leasing Co., Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(NOTARIAL SEAL)

*Harriet A. Robbins*  
Notary Public

My commission expires:

HARRIET A. ROBBINS  
NOTARY PUBLIC, State of New York  
No. 03-8592350  
Qualified in Bronx County  
Cert. filed in New York County  
Commission Expires March 30, 1976

State of Pennsylvania )  
County of Erie ) ss.:

On this 22nd day of July, 1974, before me personally appeared R. O. Smith, to me personally known, who, being by me duly sworn, says that he is the Vice President of Hammermill Paper Company, that one of the seals affixed to the foregoing instruments is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(NOTARIAL SEAL)

*Eleanore L. Loyer*  
Notary Public

My commission expires:

ELEANORE L. LOYER, NOTARY PUBLIC  
ERIE, ERIE COUNTY, PENNSYLVANIA  
MY COMMISSION EXPIRES DEC. 28, 1974

EXHIBIT A TO SCHEDULE NO. 1

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\*

|  |              |
|--|--------------|
| Fifty-two (52) Used 50 Ton Gondola Cars<br>Lettered and Numbered TPPX 30101 to<br>30152, inclusive | \$297,200.00 |
|--|--------------|

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

EXHIBIT B TO SCHEDULE NO. 1

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

| <u>After Receipt<br/>of Rent<br/>Payment No.</u> | <u>Number of Rent<br/>Payments Remaining</u> | <u>Stipulated Loss<br/>Value Percentages</u> |
|--|--|--|
| 0  | 32   | 106.500                                      |
| 1  | 31   | 104.500                                      |
| 2  | 30   | 102.375                                      |
| 3  | 29   | 100.250                                      |
| 4  | 28   | 98.000                                       |
| 5  | 27   | 95.750                                       |
| 6  | 26   | 93.500                                       |
| 7  | 25   | 91.125                                       |
| 8  | 24   | 88.750                                       |
| 9  | 23   | 86.250                                       |
| 10   | 22   | 83.750                                       |
| 11   | 21   | 81.125                                       |
| 12   | 20   | 78.500                                       |
| 13   | 19   | 75.750                                       |
| 14   | 18   | 73.000                                       |
| 15   | 17   | 70.125                                       |
| 16   | 16   | 67.250                                       |
| 17   | 15   | 64.250                                       |
| 18   | 14   | 61.250                                       |
| 19   | 13   | 58.125                                       |
| 20   | 12   | 54.875                                       |
| 21   | 11   | 51.625                                       |
| 22   | 10   | 48.375                                       |
| 23   | 9  | 44.875                                       |
| 24   | 8  | 41.375                                       |
| 25   | 7  | 37.875                                       |
| 26   | 6  | 34.125                                       |
| 27   | 5  | 30.375                                       |
| 28   | 4  | 26.625                                       |
| 29   | 3  | 22.625                                       |
| 30   | 2  | 18.625                                       |
| 31   | 1  | 16.500                                       |
| 32   | Thereafter                                   | 15.000                                       |

ADDENDA TO EQUIPMENT LEASE AGREEMENT

Dated as of the  
22nd day of July, 1974

Between  
U. S. STEEL LEASING CO., INC., as Lessor  
and  
HAMMERMILL PAPER COMPANY, as Lessee

WHEREAS, this Addenda consists of 7 pages and contains nine (9) consecutively numbered items constituting the respective additions to paragraphs 4(a), 4, 10, 16, 17, 20, 27, and 34 and a new paragraph numbered 36 of that certain Equipment Lease Agreement between the parties hereto, dated as of the 22nd day of July, 1974 (the "lease"); and

WHEREAS, the items set forth herein are the respective addenda referred to in the lease and which the parties intend shall be made part of the lease as if set forth therein in full.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and promises set forth in the lease, the parties hereto hereby agree that the following numbered items are the Addenda referred to in the lease and are made a part of the lease at the places indicated in the lease in accordance with their respective numbers as if set forth therein in full:

- #1 , including but not limited to the rules of the Interstate Commerce Commission, the Department of Transportation, and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the equipment, and the Current Interchange Rules, and supplements thereto, of the Association of American Railroads, if applicable, or any successor thereto.
- #2 Lessee will cause each respective item of equipment to be numbered with the respective car number as set forth in Exhibit A to the respective Schedules hereto and to be kept plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in

contrasting color upon each side of each item of equipment in letters not less than one inch in height as follows:

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

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the lessor to such item of equipment and its rights under this lease. Lessee will not permit the identifying number of any item of equipment to be changed except in accordance with the statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the lessor by the lessee and duly filed, recorded or deposited in all public offices where this lease shall have been filed, recorded or deposited. Lessee will not allow the name of any person, association, or corporation to be placed on any item of equipment as a designation that might be interpreted as a claim of ownership thereof by any person other than any person in whom title to the item of equipment may be vested, but lessee may letter the equipment with such names or initials or other insignia as are customarily used by lessee on its cars of the same or similar type for convenience of identification of the right of lessee to use and operate the equipment under this lease.

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 or notices to be filed with any Federal, state, or other regulatory authority by reason of the ownership by the lessor of the equipment or the lease by the lessor thereof to the lessee.

- #3 The assembling, delivery, storage and transportation of the items of equipment as hereinbefore provided are of the essence of this lease and, upon application to any court of equity having jurisdiction, lessor shall be entitled to a decree against lessee requiring specific performance of the covenants of lessee to assemble, deliver, store and transport the items of equipment.
- #4 (j) the default by the lessee under any other equipment lease agreement with the lessor shall be a default under this lease.

(k) any event of default under any lease, loan, credit or financing agreement giving the lessor, creditor or lender thereunder the right to accelerate such indebtedness or declare a default and terminate the rights of the lessee and with respect to which such lessor, creditor or lender has accelerated or declared a default giving rise to termination.

- #5 Lessee hereby waives any requirements of law now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law.
- #6 Nothing in this Section 20 shall be deemed to restrict the right of lessee to assign or transfer its leasehold interest in the equipment or possession of the equipment under this lease to any corporation into or with which the lessee merges or consolidates or which acquires the property of lessee as an entirety, or substantially as an entirety, where (a) lessee ceases to exist as a corporation; and (b) such other corporation duly assumes the obligations of lessee hereunder in a manner satisfactory to lessor; and (c) at the time of such assignment or transfer such other corporation has a consolidated net worth not less than that of lessee on December 30, 1973 and a credit worthiness not less favorable, in the\*opinion of lessor, than that of lessee at the date hereof.

The lessee shall have the right to sublease any item of equipment; provided, however, that (i) the sublessee shall execute and deliver to lessor an instrument, ~~satisfactory in form and substance to lessor,~~ assuming all the obligations of lessee hereunder\*\* and (ii) no such sublease or permitted use shall relieve the lessee of any of the obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a surety. No extension of time for the payment of any amount hereunder, no waiver of any provision of this lease or of any event of default hereunder or other indulgence of any nature whatsoever extended in any manner by the lessor or any assignee to any such sublessee, with or without notice to or assent from the lessee, shall relieve the lessee of any of its obligations under this lease. Whenever an event of default shall exist and be continuing, lessor or any assignee, without taking possession of the equipment, shall have the right to collect the rents, issues and

\* reasonable

\*\* for the period of the sublease

profits (after deducting all expenses incurred in the collection thereof) payable to lessee by sublessees of the equipment to cure said event of default. Subject to the foregoing, the lessee may receive and retain for its own account such compensations for subletting the equipment and/or for the use of the equipment by others as the lessee may determine. Without limiting the foregoing, it is contemplated that the lessee shall receive, insofar as applicable law and regulations allow, all mileage allowance rentals and/or other compensations (hereinafter referred to as "Mileage") payable by carriers by reason of the use of equipment and if for any reason the lessor shall receive any Mileage then (unless an event of default as defined in Section 16 shall have occurred and be continuing) the lessor shall remit such Mileage to the lessee promptly after the lessee shall furnish to the lessor an opinion, ruling or other evidence satisfactory to the lessor that the remittance thereof will not violate any applicable law or regulation and lessee shall notify lessor promptly of the identity of each sublessee and the expected duration of each sublease.

- #7 Without limiting the foregoing, prior to the delivery and acceptance of the equipment, lessee will, at its sole expense, cause this lease, all addenda, and schedules hereto,\*and any assignment, supplement, or amendment hereof to be duly filed, registered, or recorded in conformity with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the lessor may request for the protection of its title and will furnish the lessor proof thereof. Lessee will, from time to time, promptly do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register or re-record whenever required) any and all further instruments required by law or requested by lessor\*\*for the purpose of protecting lessor's title to the equipment to the satisfaction of lessor's counsel or for the purpose of carrying out the intention of this lease and any assignments thereof and in connection with any such action will deliver to lessor proof of such filings and an opinion of lessee's counsel that such action has been

\* and any sublease,

\*\* (including, without limitation, any sublease)

properly taken and that no other filing, registration, recording or other action is necessary or advisable to protect lessor's right, title and interest to the equipment. Lessee will pay all costs, charges, and expenses incident to any such filing, re-filing, registering, or incident to the taking of such action.

#8 ; provided, however, that any remedies herein provided which shall be valid under the law of the jurisdiction where proceedings for the enforcement hereof shall be taken shall not be affected by the invalidity thereof under the law of the State of New York; and provided further, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

#9 36. OPTION TO PURCHASE.

(a) Lessee shall have the option, which option shall not be assignable, to purchase AS-IS-WHERE-IS all, but not less than all, of the equipment covered by this lease. If lessee exercises this option, lessee shall purchase the equipment covered by each schedule to this lease at the expiration of the initial term of each such schedule to this lease for its then fair market value.

Lessee's right to exercise this option is conditioned upon: (i) Lessee's having performed all of the terms and conditions of this lease and all schedules and addenda hereto and all other agreements between lessor and lessee at the time and in the manner required therein and no event which with notice and/or lapse of time would constitute an event of default shall have occurred and be continuing under this lease or any of the schedules or addenda executed pursuant to this lease or any other agreement between lessor and lessee; (ii) lessor having received written notice of lessee's election to exercise this option at least one hundred eighty (180) days prior to the date upon which the original term of the first schedule to this lease expires; and (iii) lessee's payment to lessor of said fair market value price, as set forth below, together with all taxes on or measured by such purchase price.

The fair market value shall be an amount mutually agreed upon by the lessor and lessee. Lessee's estimate of the fair market value of the equipment covered by the

first expiring schedule referred to above shall accompany the 180 days' notice set forth above; and one hundred eighty (180) days prior to the expiration of each subsequently expiring schedule, lessee shall send lessor lessee's reasonable estimate of the fair market value of the equipment covered by each such schedule. If lessor and lessee are unable to agree upon the amount of the fair market value of the equipment within sixty (60) days after lessor's receipt of lessee's notice of election to exercise lessee's right to purchase the equipment, then the fair market value shall be determined by an appraiser selected by mutual agreement between lessor and lessee. If lessor and lessee are not able to agree upon an appraiser, or if the fair market value is not so determined within ninety (90) days after lessor's receipt of lessee's notice of election to exercise lessee's right to purchase the equipment, the fair market value shall be determined by American Appraisal Company. The fair market value as finally determined shall bear interest for the period, if any, from the date of expiration of the schedule to the date of payment, at the rate of 15 per cent (15%) per annum and lessee\* shall ~~pay~~\*\* the cost of any appraisal should an appraisal be necessary.

By lessee's purchase from lessor of the items of equipment covered by the first schedule entered into pursuant to this lease, lessee thereby agrees that lessee shall thereafter purchase from lessor upon the terms and conditions set forth herein the remainder of the equipment covered by this lease upon the expiration of the original term of each respective schedule covering said equipment. Any default by lessee hereunder shall constitute an event of default under this lease.

(b) In the event the lessee shall fail to give notice of its exercise of the option set forth above, the lessee shall surrender the equipment to the lessor pursuant to Section 10 hereof.

IN WITNESS WHEREOF, the parties hereto have executed

\* and lessor

\*\* share equally

these presents as of the day and year first above written.

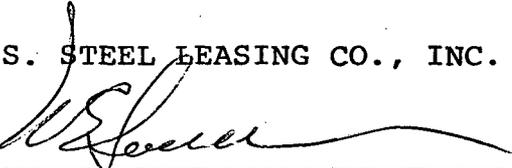
LESSOR:

LESSEE:

U.S. STEEL LEASING CO., INC.

HAMMERMILL PAPER COMPANY

By

  
VICE PRES

By

  
Vice President

ATTEST

ATTEST

  
ASST. Secretary

  
Assistant Secretary

(Seal)

(Seal)

71 Broadway  
New York, New York 10006

P. O. Box 1440  
Erie, Pennsylvania 16512



