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MDFC EQUIPMENT LEASING CORPORATION RECORDATION NO.______ Filed & Recorded

3855 LAKEWOOD BOULEVARD, LONG BEACH, CALIFORNIA 90846

MAY 28 1974 -1 35 PM

INTERSTATE COMMERCE COMMISSION

EXECUTED IN 6 COUNTERPARTS OF WHICH THIS IS COUNTERPART No. 3

EQUIPMENT LEASE AGREEMENT

Equipment Lease No. 110

THIS LEASE, made on this 28th day of May, 1974, by and between MDFC Equipment Leasing Corporation, a Delaware Corporation, (hereinafter called "Lessor") and Hammermill Paper Company a Penn. Corporation, (hereinafter called "Lessee"):

WITNESSETH:

1. *Lease.* Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to hire from Lessor the unit or units of equipment, machinery or other property (hereinafter called "equipment") described in the Individual Equipment Record (hereinafter called "IER") to be attached hereto as Exhibit "A" and made a part hereof, or any subsequent IER's which may hereafter be made a part hereof as same are executed from time to time by the parties hereto.

2. *Term.* The term of the lease for any of the equipment shall be as set forth on the IER applicable to such equipment and shall commence for each unit or units of equipment on the date shown on the applicable IER. The word "term" as used herein shall refer to any extensions of the original term.

3. *Rent.* Lessee shall pay Lessor rent as stipulated in the IER, without deduction or offset, in the amounts and at the times set forth in the IER. In the event Lessee shall be in default in the payment of any sum of money to be paid under this lease agreement, the Lessee shall pay Lessor, as additional rental, to the extent permitted by applicable law, interest on the unpaid sum from its due date (without regard to any grace period) to date of payment at the rate of 10% per annum or such lesser amount as may represent the maximum permitted by applicable law. Rent shall be payable at the office of Lessor at 3855 Lakewood Boulevard, Long Beach, California 90846, Attention Controller (18A-36) or its assigns (or at such other place as Lessor may from time to time designate in writing).

4. *Taxes Against Lessor or Equipment.* Lessee agrees to pay and to indemnify and hold Lessor harmless from, all license and registration fees and sales, use, personal property, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon (collectively, "taxes, fees or other charges") imposed against Lessor, Lessee or the equipment or any part thereof by any Federal, state or local government or taxing authority, during the term or in connection with the termination of this lease, upon or with respect to the equipment or any part thereof or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this lease (excluding, however, (i) any taxes imposed by the Federal government on, based on, or measured by, the net income of the Lessor and (ii) any income or franchise taxes imposed by any taxing authority other than the Federal government on, based on, or measured by, the net income of the Lessor which in the aggregate do not exceed the amount of any such taxes which would be payable to the taxing authorities of the jurisdictions, other than the United States of America, in which Lessor has its principal place of business if there was no allocation or apportionment to any other taxing authority), unless, and to the extent only that, any such tax, levy, impost, duty, charge or withholding is being contested by Lessee in good faith and by appropriate proceedings. In case any report or return is required to be made with respect to any obligation of Lessee under this Section or arising out of this Section, Lessee will either make such report or return in such manner as will show the ownership of the equipment in Lessor and send a copy of such report or return to Lessor or will notify Lessor of such requirement and make such report or return in such manner as shall be satisfactory to Lessor. Anything contained in this Section to the contrary notwithstanding, if Lessor shall assign or convey its right, title and interest in and to this lease and/or the equipment, Lessee shall not be obligated to pay any taxes, levies, imposts, duties, charges or withholdings of any nature imposed against Lessor, Lessee or the equipment which would not have been imposed had such assignment or conveyance not occurred. If claim is made against Lessor for any such taxes referred to in this Section, Lessor shall promptly notify Lessee. If reasonably requested by Lessee in writing, Lessor shall, at Lessee's expense, take such action as Lessee may reasonably request with respect to such asserted liability, and if reasonably so requested by Lessee, any payment by Lessor of such tax shall be made under protest, if protest is necessary and proper. If payment is made, Lessor shall, at Lessee's expense, take such action as Lessee may reasonably request to recover such payment and shall, if requested, permit Lessee in Lessor's name to file a claim or prosecute an action to recover such payment. All of the obligations of Lessee under this Section with respect to any fees, taxes, levies, imposts, duties, charges or withholdings (together with any penalties, fines or interest thereon) imposed or accrued before the expiration or other termination of this lease shall continue in full force and effect notwithstanding such expiration or other termination and are expressly made for the benefit of, and shall be enforceable by, Lessor.

Lessor and Lessee convenant and agree that Lessor shall have the sole right to utilize and to claim depreciation deductions on the equipment in the computation of Federal, state and local tax returns and reports for any year during the term of this lease and that Lessee shall not utilize or claim or attempt to utilize or claim said depreciation deductions for any tax purposes whatsoever.

5. *Lessee's Failure to Pay Taxes, Insurance, Etc.* Should Lessee fail to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation, *XXXXXXXXXX demand upon Lessee, and without releasing Lessee from any obligation hereunder, to make or do the same, and to pay, purchase, contest or compromise any encumbrance, charge or lien which in Lessor's judgement appears to affect the equipment, and in exercising any such rights incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by Lessor shall be without demand immediately due and payable by Lessee and shall bear interest at the rate of 10% per annum or such lesser amount as may represent the maximum permitted by applicable law. *Substitute Rider A

6. *Use.* Lessee shall use, operate, maintain and store the equipment in a careful and proper manner and shall comply with all laws, ordinances and regulations in any way relating to the possession, use, operation or maintenance of the equipment. Lessee shall put the equipment only to the use contemplated by the manufacturer. Lessee shall affix to the equipment and keep upon the equipment such labels, plates or markings furnished by Lessor stating that the equipment is owned by the Lessor XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX Upon demand by Lessor, Lessee shall give Lessor written notice of the exact location of the equipment * *Add Rider B

7. *Alterations.* Lessee shall not make any alterations, additions or improvements to the equipment without the prior written consent of Lessor. All such alterations or improvements shall become the property of Lessor, shall be free of all encumbrances, and for which Lessee shall provide a bill of sale to Lessor. The equipment shall remain personal property regardless of whether it becomes affixed or attached to real property or permanently rests upon any real property or any improvement thereon.

8. *Maintenance and Repair.* Lessee, at its sole cost and expense, shall keep the equipment in good operating order, repair, condition and appearance and shall furnish any and all parts, mechanisms or devices required to keep the equipment in good mechanical and working order.

9. *Delivery Inspection, Acceptance.* Prior to execution of the IFR Lessee shall have made all necessary inspections and tests of the equipment referred to therein at Lessee's sole expense, to determine whether the equipment conforms to the specifications selected by Lessee. Lessee shall advise Lessor in writing at the time of execution of the IFR, of any defect or objection to the type or condition of the equipment. Lessee's failure to advise Lessor of any defect or objection with respect to any item of equipment shall not establish the absence of any such defect in any equipment insofar as the manufacturer or supplier thereof is concerned. Upon execution of the IFR by Lessee, the equipment shall be deemed to conform to Lessee's specifications and shall be deemed to be in good condition and without defects. Lessee shall indemnify, exonerate and save harmless Lessor from all claims, damages, actions, expenses (including attorneys' fees), and liabilities of any kind arising out of or connected with the failure or refusal of Lessee to accept, or the delay of Lessee in accepting, the equipment.

10. *Inspection, Lessee Reports.* Lessor shall at any time during normal business hours have the right to enter the premises where the equipment may be located for the purpose of inspecting and examining the equipment, its condition, use, and operation to ensure compliance by Lessee with its obligations under any lease made hereunder, notwithstanding that Lessor shall have no duty to inspect and shall not incur any liability or obligation by reason of not making any such inspection.

Lessee shall immediately notify Lessor of any accident connected with the use, operation or malfunction of the equipment, including in such report the time, place and nature of the accident, the damage caused to property, the names and addresses of persons injured and of witnesses, and such other information as may be pertinent to Lessor's investigation of such accident.

Lessee shall notify Lessor in writing within ten (10) days after any attachment, tax lien or other judicial process shall attach to any item of equipment.

Lessee shall, as soon as practicable after the close of each fiscal quarter and year of Lessee, furnish to Lessor duplicate copies of Lessee's financial reports prepared by it as of the close of the period ended, including Lessee's most recent annual report, balance sheet and profit and loss statement, certified to by a recognized firm of certified public accountants. Lessee also agrees to furnish Lessor during the term, promptly upon their availability, copies of all financial statements, reports, notices and proxy statements, sent by Lessee to its stockholders. Further, Lessee agrees to furnish Lessor from time to time such other information as Lessor may reasonably request.

11. *Warranties.* LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATIONS IN RESPECT TO THIS LEASE HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO CONDITIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR AS TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT.

Lessee hereby waives any claim it might have against Lessor for any loss, damage or expense caused by the equipment or by any defect therein, use or maintenance thereof or servicing or adjustment thereto. During the period of any lease hereunder in which Lessee is not in default of its obligations, Lessor hereby assigns to Lessee any manufacturer or dealer warranty, whether express or implied, on the equipment covered by any lease hereunder. All claims or actions on any warranty so assigned shall be made or prosecuted by Lessee, at its sole expense and Lessor shall have no obligation whatsoever to make any claim on such warranty. Any recovery under such a warranty shall be made payable jointly to Lessee and Lessor. All proceeds of such a warranty recovery shall be used to replace the equipment. Lessor further authorizes Lessee to obtain whatever service to the equipment the manufacturer customarily renders, provided that no such service be at the expense of the Lessor.

*Insert Rider C

12. *Insurance.* Simultaneously upon passage of risk of loss from the vendor, Lessee at its own expense shall maintain maintain public liability and property damage liability insurance with respect to the equipment as set forth in the IFR. Said insurance shall not be excess over other coverage but shall be primary insurance up to and including the stated policy limits. Except as otherwise provided in any IFR, all such insurance shall name Lessor and Lessee as insureds, shall be in amounts and with companies approved by Lessor. Said policies shall provide that they may not be altered or canceled by the insurer without thirty (30) days' written notice to Lessor. Said insurance shall be satisfactory to Lessor and shall contain such endorsements as may be requested by Lessor. Lessee's obligation to keep the equipment insured as provided herein shall continue until the equipment is returned to Lessor.

*Insert Rider D

Lessee shall furnish Lessor with insurance policies, endorsements or renewals applicable to the equipment as soon as they become available to Lessee.

13. *Risk, Event of Loss, Condemnation.*

(a) *Risk.* Commencing at the time such risks pass to Lessor from the vendor of the equipment and continuing until the termination of this lease and the return by Lessee of the equipment to Lessor, Lessee assumes the entire risk of any Event of Loss as defined below or any liability of Lessor from any cause whatsoever and no such Event of Loss or liability shall relieve Lessee of its obligation hereunder.

(b) *Definition — Event of Loss.* For purposes of this Section an Event of Loss with respect to any equipment shall mean any of the following events with respect to such equipment: (i) the actual or constructive total loss of such equipment; (ii) such equipment shall become lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for intended use for any reason whatsoever; or (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of such equipment.

(c) *Deprivation Constituting an Event of Loss.* Upon the occurrence of an Event of Loss, Lessee shall pay or cause to be paid in immediately available funds on the next rent installment date in respect of such equipment (or if such Event of Loss shall occur after the final rent installment date then on the expiration of the term for such equipment), (i) accrued rentals in respect of such equipment, if any, to the date of such Event of Loss, (ii) the greater of the fair market value of the equipment or the Stipulated Loss Value computed as of the date of such Event of Loss, (iii) interest on the unpaid balance of said amount at 10% per annum, from ninety (90) days after the date of such Event of Loss to the date of receipt, and (iv) all other unpaid amounts due hereunder. At such time as Lessor has received the sum of (i), (ii), (iii) and (iv) above, the obligation of Lessee to pay rent hereunder with respect to such equipment shall terminate and Lessor will transfer to Lessee, without recourse or warranty, all of Lessor's right, title and interest, if any, in and to the equipment with respect to which such Event of Loss occurred.

(d) *Deprivation Not Constituting an Event of Loss.* In the event of damage or requisition of any equipment not constituting an Event of Loss, Lessee shall promptly notify Lessor in writing of such damage or requisition and, shall remain obligated to make all payments of rent for the equipment which may become due hereunder in the same manner as if such damage or requisition had not occurred. So long as no Event of Default shall have occurred and be continuing, all payments from insurance proceeds or otherwise with respect to any such damage or requisition shall be paid over to Lessee upon receipt of satisfactory evidence by Lessor that Lessee has repaired or contracted to repair such equipment. Lessee shall repair and restore such equipment to the condition it was in immediately prior to the occurrence which gave rise to such payment. Should an Event of Default have occurred and be continuing, all such payments shall be paid over to and retained by Lessor. In the case of requisition, any payments which exceed the aggregate amount of rent payable hereunder by Lessee during the period of such requisition shall be paid to or retained by Lessor.

(e) *Application of Payments* Upon the occurrence of any Event of Loss, Lessor shall be entitled to and shall receive the entire award, judgement, settlement, insurance proceeds or payments and all installments thereof Lessee hereby assigns to Lessor any right or interest Lessee may have or may hereafter acquire in any such award or payment

14. *Indemnity.* Lessee agrees to defend at its own cost and to indemnify and hold harmless Lessor, its agents and employees, from and against any and all loss, claims, patent infringements, costs, expenses, damage and liabilities (including reasonable attorneys' fees), however caused, resulting directly or indirectly in any manner from the issuance of Lessor's purchase order, assignment of Lessee's purchase order, ownership, purchase, delivery, lease, possession, return, disposition, or directly or indirectly from or pertaining to the use, condition (including without limitation latent or other defects whether or not discoverable) or operation of the equipment or the performance of this lease (including without limitation such loss, claims, costs, expenses, damages and liabilities arising from the death or injury to agents or employees of Lessee or Lessor or any third person, or damage to the property of Lessee or Lessor, their agents or employees, or any third person, firm or corporation) except for such damages, losses, expenses or liabilities arising out of the negligence or willful misconduct of Lessor, its agent or employees This indemnification shall survive the expiration or other termination of this lease for the benefit of and enforceable by the Lessor.

15. *Return of Equipment* Upon the expiration or earlier termination of any lease hereunder, Lessee shall return each item of equipment to Lessor, free of all advertising or insignia placed thereon by Lessee, and in the same operating order, repair, condition and appearance as when received, ordinary wear and tear excepted, and shall pay for any repairs and refurbishing necessary to restore such equipment to its original condition. Lessee shall return the equipment to Lessor loading and shipping same freight and insurance prepaid to a destination directed by Lessor. *

*Add Rider E

16 *Default, Remedies, Damages.*

(a) *Defaults* The following events shall constitute Events of Default

(1) Lessee shall fail to make any payment to Lessor when due under this lease and such failure to pay shall continue for a period of ten (10) or more days, or

(2) There shall occur any termination of, material alteration in the scope of the coverage of, or reduction in the maximum amounts payable under any insurance maintained by Lessee pursuant to this lease, or

(3) Lessee shall fail to perform or observe any other covenants, condition, or agreement to be performed or observed by it hereunder and such failure shall continue unremedied for a period of thirty (30) days after written notice thereof by Lessor; or

(4) Any representation or warranty made by Lessee herein or in any document or certificate furnished Lessor in connection herewith shall prove to be incorrect at any time in any material respect; or

(5) Any obligation of Lessee for the payment of borrowed money, for the deferred purchase price of property or for the payment of rent or hire under any lease shall not be paid when due, whether by acceleration or otherwise, or

(6) Lessee shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for Lessee or for a substantial part of its property without its consent and shall not be dismissed within a period of sixty (60) days; or bankruptcy reorganization, or insolvency proceedings shall be instituted by or against Lessee, and, if instituted against Lessee, shall not be dismissed within a period of sixty (60) days.

(b) *Remedies.* Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor, at its option, may do one or more of the following with respect to any or all equipment.

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

(2) Repossess with or without notice and sue for the rentals due hereunder as they accrue without notice and at Lessee's costs and expenses:

(3) Repossess and without terminating the lease hold the equipment until Lessee shall have complied with all obligations under the lease,

(4) Repossess with or without notice and sell, relet, use, hold or otherwise dispose of the equipment,

(5) Without repossessing, declare all unpaid rentals immediately due and payable,

(6) Repossess and terminate the lease.

(c) *Damages* Lessor and Lessee agree that the measure of damages is impossible to determine in the absence of prior agreement. Therefore, the parties agree that as damages for the loss of a bargain and not as a penalty in the case of sale or reletting after repossession Lessor shall be entitled to:

(i) *Sale.* Where a sale has occurred, the difference between the Net Proceeds of Sale and the Stipulated Loss Value at the time of sale. Where a sale has not yet occurred, the excess of the Stipulated Loss Value at the time of determination over the Fair Market Sales Value.

(ii) *Relet[illegible]* Where a reletting has occurred, the deficiency between the aggregate rentals due under the reletting discounted at Prime and the lesser of (a) the Stipulated Loss Value at reletting, or (b) the aggregate unpaid lease rentals discounted at Prime. Where a reletting has not yet occurred, the [illegible]ency between the Aggregate Fair Market Rental Value discounted at Prime and the lesser of (a) the Stipulated Loss Value at time of determination, [illegible] aggregate unpaid lease rentals discounted at Prime.

(iii) In addition to that set out in (i) and (ii), Lessor shall be entitled to, (a) the unpaid rent from default until sale, reletting or determination [illegible] of damages, and (b) interest on all amounts due including rent and damages from date due until payment at 10% per annum or such lesser amount [illegible] may represent the maximum permitted by applicable law.

(iv) For purposes of this Section the following definitions apply:

(1) *Discounted* Reduction to present value as of the date of sale, reletting or determination of damages at the stated interest rate and at a frequency equal to the frequency of rental payments under this lease

(2) *Aggregate Fair Market Rental or Aggregate Fair Market Sales Value:* A value determined by a recognized independent appraiser mutually selected by Lessor and Lessee or in the event of disagreement selected by their independent designees. In the absence of such appointment, a court of competent jurisdiction shall make the determination.

(3) *Net Proceeds of Sale.* The gross consideration received by Lessor less all expenses associated directly or indirectly with sale including refurbishing, repair, advertising, freights, financing costs, etc.

(4) *Prime.* Best rate then charged by The Chase Manhattan Bank of New York for 90-day loans to substantial commercial borrowers.

(d) Each and every power and remedy herein specifically given to Lessor, shall be in addition to every other power and remedy [illegible] so given or now or hereafter existing at law or in equity, and each and every power or remedy may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor. All such powers and remedies shall be cumulative and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of Lessor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. In the event that Lessor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgement, then in such suit Lessor may recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgement.

Lessee hereby appoints Lessor, Lessee's irrevocable agent and attorney-in-fact to execute all documents deemed necessary to release, terminate and void Lessee's interest in any equipment leased hereunder, and to file said documents for recordation with appropriate agencies provided that an Event of Default has occurred and Lessor in its discretion deems use of this agency necessary to effect any remedy Lessor chooses to take.

*Insert Rider F

17. *Assignment by Lessee.* Lessee shall not assign, pledge or hypothecate this lease, the equipment or any part thereof or any interest therein, without the prior written consent of Lessor. Consent to any of the foregoing acts shall not be deemed to be consent to any subsequent similar act.*

18. *Assignment by Lessor.* Lessor may assign, pledge or in any other way transfer this lease either in whole or in part, or any interest therein without notice to Lessee and Lessee shall execute such consents thereto as may be required by Lessor. Should this lease or any interest therein be assigned or should the rentals hereunder be assigned, no breach or default by Lessor of this lease or any other agreement between Lessee and Lessor shall excuse performance by Lessee of any provision hereof, and no assignee shall be obligated to perform any covenant, condition or obligation required to be performed by Lessor hereunder. The right of such assignee to receive the rentals or to receive the equipment upon termination of the lease shall be free of all defenses, setoffs and counterclaims which Lessee might now or hereafter be entitled to assert against Lessor.

19. *Ownership by Lessor.* The equipment is and shall at all times remain the sole and exclusive property of Lessor. The only interest Lessee shall have in the equipment is that of a Lessee hereunder.

20. *Suspension of Obligations of Lessor.* The obligations of Lessor hereunder shall be suspended to the extent that it is hindered or prevented from complying therewith because of labor disturbances, including strikes and lockouts, acts of God, fires, storms, accidents, governmental regulations or interference or any cause whatsoever beyond the control of Lessor.

21. *Prohibition Against Setoff, Counterclaim, Etc.* Lessee's obligation to pay all amounts due hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation (i) any setoff, counterclaim, defense, or other right which Lessee may have against Lessor, (ii) any defect in the title, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the equipment, or any interruption or cessation in the use of possession thereof by Lessee for any reason whatsoever, or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee.

Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit, or surrender this lease.

*Insert Rider G

If for any reason whatsoever this lease shall be terminated in whole or in part by operation of law,* except as specifically provided herein, Lessee nonetheless agrees to pay to Lessor an amount equal to each installment of rent at the time such installment would have become due and payable in accordance with the terms hereof had this lease not been terminated in whole or in part. Each rent payment made by Lessee shall be final and Lessee will not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

22. *Representation and Covenants of Lessee.* Lessee represents, warrants and covenants (i) that it is a duly organized corporation with necessary power and qualifications to do business and to perform this lease and any exhibits thereto, (ii) that this lease has been duly authorized by all necessary corporate action and will not contravene or breach any legal, organizational or contractual regulation binding upon Lessee, (iii) that this lease constitutes a binding obligation enforceable in accordance with its terms, (iv) that there are no suits or proceedings pending or threatened which may have an adverse effect on Lessee's financial condition or business,* (v) that no mortgage, deed of trust, charter, lease or other lien or security interest of any type, will attach to the equipment, (vi) that taxes due from Lessee have been paid and Lessee's financial condition is as represented in financial statements dated ~~December 31, 1972~~ December 30, 1973.

*Insert Rider H

23. ~~[illegible]~~

24. *Notices.* All notices required under the terms and provisions hereof shall be in writing and addressed (i) if to Lessee:

Hammermill Paper Company
1540 E. Lake Road
Erie, Pennsylvania 16512
Attention: Secretary

or at such other address as Lessee shall from time to time designate in writing to Lessor, or (ii) if to Lessor: MDFC Equipment Leasing Corporation, Attention: President, at 3855 Lakewood Boulevard, Long Beach, California 90846, or at such other address as Lessor shall from time to time designate in writing to Lessee.

25. *Conditions Precedent.* As conditions precedent to Lessor's duties under this lease, Lessee shall furnish Lessor on or before the delivery of this lease the following: (a) an opinion of counsel verifying those representations set out in Section 22 hereof, (b) certified copies of necessary resolutions and other documents authorizing this lease and Lessee's performance hereunder, and (c) such other documents as Lessor may require.

26. *Applicable Law, Modifications.* This lease shall be governed by and construed according to the laws of the State of California. The terms hereof shall not be waived, varied, contradicted, explained, amended or changed in any other manner except by an instrument in writing of even or subsequent date hereto, executed by both parties.

27. *Time.* Time is of the essence hereof.

IN WITNESS WHEREOF, the parties hereto have caused this lease to be executed by their duly authorized officers on the day and year first written above.

LESSOR: MDFC EQUIPMENT LEASING CORPORATION

By [signature]

Title Authorized Agent

LESSEE: HAMMERMILL PAPER COMPANY

By [signature]

Title ~~[illegible]~~ TREASURER

By J B Enders

Title ASSISTANT SECRETARY

CORPORATE FORM OF ACKNOWLEDGMENT

STATE OF CALIFORNIA
ss:
COUNTY OF LOS ANGELES

On this 28th day of May, 1974, before me personally appeared Thomas J. Motherway, to me personally known, who being by me duly sworn, says that he is the authorized agent of MDFC Equipment Leasing Corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

OFFICIAL SEAL
PATSY A. MC CLUNG
NOTARY PUBLIC-CALIFORNIA
LOS ANGELES COUNTY
My Commission Expires July 20, 1976

McDonnell Douglas Finance Corporation

Patsy A. McClung
Title of Officer

My commission expires July 20, 1976

STATE OF PENNSYLVANIA)
) SS:
COUNTY OF ERIE)

On this 28th day of May, 1974, before me personally appeared D. C. Wright, Jr. and J. B. Enders, to me personally known, who being by me duly sworn, say that they are respectively the Treasurer and Assistant Secretary of Hammermill Paper Company, that the seal affixed to this acknowledgment is the corporate seal of said corporation, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Susanne E. Schaller

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

(NOTARIAL SEAL)

(CORPORATE SEAL)

Riders to Equipment Lease Agreement No. 110 Between
MDFC Equipment Leasing Corporation and Hammermill Paper Company
Dated May 28, 1974

Rider A
simultaneously with

Rider B
Lessee agrees that the equipment will be used soley upon the lines of railroads in the continental United States in the usual interchange of traffic.

Rider C
or repair

Rider D
certificates of insurance evidencing such

Rider E
located on the lines of a railroad and within a radius of 500 miles of Erie, Pennsylvania.

Rider F
Nothing in this Section 17 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; 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 an earnings history not less favorable than that of Lessee at the date hereof.

The Lessee shall have the right to sublease any item of equipment; provided, however, that no such assignment, 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. The Lessee may receive and retain for its own account such compensation 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 compensation (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 regulations and Lessee shall notify Lessor promptly of the identity of each sublessee and the expected duration of each sublease.

Rider G
and Lessee retains possession of the Equipment,

Rider H
except as stated in Lessee's 1973 Annual Report to Shareholders.

The foregoing Riders A through H to Equipment Lease Agreement No. 110 are hereby agreed upon and accepted:

LESSOR: MDFC EQUIPMENT LEASING CORPORATION	HAMMERMILL PAPER COMPANY
By [signature]	By [signature]
Title Authorized Agent	Title ~~[illegible]~~ TREASURER

Exhibit A

INDIVIDUAL EQUIPMENT RECORD

IER NO. 110-001

Dated _____ to that Equipment Lease Agreement dated _____.

LESSOR: MDFC Equipment Leasing Corporation
3855 Lakewood Boulevard
Long Beach, California 90846
Attention 18A-34

LESSEE: Hammermill Paper Company
1540 E. Lake Road
Erie, Pennsylvania 16512

LOCATION OF EQUIPMENT: Continental United States

DELIVERY DATE:

New x Used _____	Purchase Order No. Corp. C-915	Term: 15 year(s) _____ month(s) Commencing _____	Security Deposit: $ None

Sales, Use and Other Taxes $ _____	**INSURANCE REQUIREMENTS:** ~~ALL RISK, EMV~~ ~~xxxxxx~~ LIABILITY. Bodily Injury $500,000 per person/$1,000,000 per accident; Property Damage $100,000.

RENTAL: $ _____ payable upon execution of this IER, to be applied to the first rental installment. Payment of the second through thirtieth rental installments shall commence on _____ and shall continue semiannually thereafter on the _____ day of each _____, with each such rental installment to be in the amount of $ _____.

EQUIPMENT DESCRIPTION AND SERIAL NO.(s) (SEE ATTACHED INVOICES):

Equipment Description	Serial No.	Cost
25 100-ton nominal capacity combination roundwood, wood chip cars per Hammermill drawing C-342, Specification SC-403 and Ortner Freight Car Company Proposal OCN1118-4-73	HPAX Nos. 137 through 161	

STIPULATED LOSS VALUES

BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST
1	100.0				
2	105.3				
3	105.5				
4	105.5				
5	105.1				
6	104.5				
7	103.6				
8	102.5				
9	101.0				
10	99.3				
11	97.4				
12	95.1				
13	92.6				
14	89.9				
15	86.9				
16	83.7				
17	80.3				
18	76.6				
19	72.7				
20	68.6				
21	64.3				
22	59.9				
23	55.2				
24	50.4				
25	45.5				
26	40.5				
27	35.4				
28	30.3				
29	25.2				
30	20.1				
Thereafter	15.0				

STIPULATED LOSS VALUES

BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST	BEFORE PAYMENT NO.	STIPULATED LOSS AS A PERCENT OF ORIGINAL COST

SPECIAL CONDITIONS:

The undersigned Lessor hereby leases to the undersigned Lessee, and the undersigned Lessee agrees to hire from Lessor the equipment described herein. The Lessee hereby acknowledges and agrees, respecting the equipment described herein.

(1) That Lessee has inspected the equipment fully and completely as to size, model, function and conformity to the purchase order,

(2) That the equipment is of a size, design, function and manufacturer selected by Lessee,

(3) That Lessee is satisfied that the same is suitable for its intended purposes and any special purposes of Lessee,

(4) LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY LESSEE. LESSOR BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATIONS IN RESPECT TO THIS LEASE HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO CONDITIONS, QUALITY, DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR AS TO ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT.

(5) That the equipment is new and unused, and that the equipment has been delivered to, is now in possession of and acceptable to Lessee

The Lessee agrees to pay the rent set forth herein. The covenants, terms and conditions appearing in that certain Equipment Lease Agreement dated_____ _____ between the undersigned Lessor and Lessee, shall be deemed to be incorporated herein by reference. This Individual Equipment Record shall be governed by and construed in accordance with the laws of the State of California.

LESSOR:
MDFC EQUIPMENT LEASING CORPORATION

By _____

Title _____

LESSEE:

By _____

Title _____

Lease Addendum No. 1
(Purchase Option)

In connection with that certain Lease Agreement dated as of the date hereof (the "Lease") between MDFC Equipment Leasing Corporation, as Lessor (the "Lessor") and Hammermill Paper Company, as Lessee (the ("Lessee") covering certain items of equipment ("Equipment") more fully described in the Individual Equipment Records ("IER") identified as Exhibit "A" thereto it is agreed that upon execution by the parties hereto, this Lease Addendum No. 1 shall constitute a part of said Lease.

Lessee is hereby granted an option, which option shall not be assignable, to purchase AS-IS-WHERE-IS all, but not less than all of the Equipment covered by said Lease, at the expiration of the term of each of said IER's to said Lease, for its then Fair Market Value, against delivery of a bill of sale transferring and assigning to Lessee all right, title and interest of Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which Lessee assumed or is obligated to discharge under terms of the Lease.

The exercise of said option is conditioned upon: (a) performance of all of the terms and conditions of said Lease and all IER's thereto, and of all other agreements between Lessor and Lessee, at the time and in the manner required therein and no event which with due notice and/or lapse of time would constitute an event of default shall have occurred and be continuing under the Lease or any of the IER's executed pursuant to said Lease or any other such agreement; (b) Lessor's receipt of written notice of the election to exercise said option at least one hundred twenty days prior to the date upon which the original term of the first IER of said Lease expires; and (c) 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 Lessor and Lessee. Lessee's estimate of Fair Market Value of the Equipment covered by this first expiring IER referred to shall accompany the 120 days' notice set forth above; and one hundred twenty (120) days prior to the expiration of each subsequently expiring IER, Lessee shall send its reasonable estimate of the Fair Market Value of the Equipment covered by each such IER. 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 the estimate thereof, then the Fair Market Value shall be determined by an appraiser selected by mutual agreement. 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 the purchase options, 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 IER to the date of payment, at the rate of 10% per annum and Lessee shall pay the cost of any appraisal should appraisal be necessary.

By Lessee's purchase of the Equipment covered by the first IER entered into pursuant to said Lease, Lessee agrees that it shall thereafter purchase, upon the terms and conditions set forth herein, the remainder of the Equipment covered by said Lease.

Unless Lessee has purchased the Equipment as set forth above, all the Equipment then leased shall be returned pursuant to Section 15 of the Lease.

WITNESS the due execution hereof as of the 28th day of May, 1974.

HAMMERMILL PAPER COMPANY

By D. E. Wright Jr.

Its [redacted] TREASURER

MDFC EQUIPMENT LEASING CORPORATION

By Thomas J. Mathews

Its Authorized Agent

Lease Addendum No. 2

Reference is made to that certain Lease Agreement dated as of the date hereof (the "Lease") between MDFC Equipment Leasing Corporation as Lessor and Hammermill Paper Company as Lessee covering certain items of equipment ("Equipment") more fully described in the Individual Equipment Records ("IER") identified as Exhibit A thereto. It is agreed that upon execution by the parties hereto, this Lease Addendum No. 2 shall constitute a part of said Lease.

If, with respect to any item of equipment, the Lessor shall not have or shall lose the right to claim, or there shall be disallowed, any depreciation deduction provided for under Section 167 of the Internal Revenue Code of 1954, as amended, in reporting its taxable income for each year during which the Lease is in effect, for any one or more of the following reasons:

(1) Actions or omissions of Hammermill, its officers, employees, agents, servants, independent contractors, permittees or licensees; or

(2) Changes in the applicable federal law, including, without limitation, rulings, regulations and court decisions implementing or interpreting such law;

then Lessee shall within 10 days following written demand made by Lessor indemnify and save harmless Lessor from and against all additional Federal income taxes required to be paid as a result of depreciation benefits so lost, including interest and penalties applicable thereto, and pay all reasonable attorneys' fees and court costs of Lessor in connection with any action, suit or proceeding instituted by or against Lessor with respect thereto, provided, however, that Lessee shall have the right, at its option, and after presentation of the opinion of Reed Smith Shaw & McClay, Attorneys at Law of Pittsburgh, Pennsylvania, that a bona fide defense to said claim for additional Federal income taxes exists, to resist and defend at its expense in the name of Lessor any determination, judgment or claim by any Federal agency that Lessor was not entitled to a depreciation deduction under Section 167 with respect to any item of the equipment during the term of the Lease, except that in the event that the Lessor does not permit Lessee to resist and defend any such judgment, claim or determination as aforesaid, Lessee forthwith shall be relieved of any further liability or obligation to indemnify and save the Lessor harmless from and against any any all such additional Federal income taxes, including interest and penalties applicable thereto, and the Lessor on demand shall repay to Lessee any amounts in respect of such taxes, interest or penalties which Lessee shall have previously paid to the Lessor; it being understood that in no event shall Lessee be relieved or excused from any liability or

obligation of Lessee under this Lease Addendum No. 2 to pay all reasonable attorneys' fees and court costs in connection with any action, suit or proceeding instituted by or against the Lessor with respect to such income taxes incurred prior to the time Lessor revokes Lessee's authority to resist and defend any such judgment, claim or determination in the name of the Lessor.

It is expressly understood and agreed that Lessee shall not incur any liability or obligation hereunder by reason of any actions or omissions of Lessor, its officers, employees, agents, servants, independent contractors, permittees or licensees.

The indemnification provided for herein shall survive the expiration or other termination of the Lease.

WITNESS the due execution hereof as of the 28th day of May, 1974.

MDFC EQUIPMENT LEASING CORPORATION

By [signature]

Its Authorized Agent

HAMMERMILL PAPER COMPANY

By [signature]

Its [redacted] TREASURER