

MUDGE ROSE GUTHRIE ALEXANDER & FERDON

2121 K STREET, N.W.
WASHINGTON, D.C. 20037
202-429-9355

SUITE 2020
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIF. 90071
213-613-1112

RECORDATION NO. 15375-F
Filed 1988

180 MAIDEN LANE
NEW YORK, N.Y. 10038

212-510-7000

CABLE ADDRESS: BALTUCHINS-NEW
TELEX: WU 127889
TELECOPIER: 212-248-2655

SUITE 900, NORTHBRIDGE CENTRE
515 NORTH FLAGLER DRIVE
WEST PALM BEACH, FL. 33401
305-650-8100
12, RUE DE LA PAIX
75002, PARIS, FRANCE
(1) 42. 61. 57. 71

RECORDATION NO. 15375-F
Filed 1988

MAR 22 1988 - 1 40 PM

INTERSTATE COMMERCE COMMISSION

MAR 22 1988 - 1 40 PM

INTERSTATE COMMERCE COMMISSION

March 17, 1988

3/22/88
26100
100 West...

Ms. Noreta R. McGee, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

RECEIVED
MAR 22 1 32 PM '88
OFFICE OF SECRETARY

Re: Citibank, N.A./Loan to William
J. Condren

Dear Ms. McGee:

Pursuant to 49 U.S.C. §11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Citibank, N.A., as lender, for filing and recordation two counterparts of each of the following documents:

- (1) Loan, Security and Consolidation Agreement dated as of July 1, 1987 between William J. Condren, as borrower, and Citibank, N.A., as lender; and
- (2) Amendment No. 1 to Loan, Security and Consolidation Agreement dated as of December 1, 1987 between William J. Condren, as borrower, and Citibank, N.A., as lender.

These documents relate to a loan to Mr. Condren the security for which includes an assignment of his interest in certain railcar rentals. The loan evidenced by these agreements is cross-collateralized with a loan made to Mr. Condren and secured pursuant to a Security Agreement dated as of October 26, 1987 between Mr. Condren and Citibank, N.A. Such Security Agreement was previously recorded by the Interstate Commerce Commission and has been assigned recordation number 1-5375.

The names and addresses of the parties to the aforementioned agreements are as follows:

1. Borrower:
William J. Condren
450 Park Avenue
New York, New York 10022

2. Lender:
Citibank, N.A.
Private Banking & Investment
153 East 53rd Street
New York, New York 10043

Please file and record the documents referred to in this letter and index them under the names of Borrower and Lender.

The cars covered by these agreements are listed in Exhibit A hereto.

Enclosed is our check for \$20.00 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the other counterpart with your recordation number and return them to the delivering messenger along with your fee receipt addressed to the undersigned.

Please do not hesitate to contact the undersigned (212-510-7794) with any questions that you may have concerning the enclosed.

Sincerely,


Bonnie L. Dixon,
attorney for Citibank, N.A.

Encls.
By Hand Delivery

EXHIBIT A

EQUIPMENT SCHEDULE

<u>Number of Cars</u>	<u>Description</u>	<u>AAR Designation</u>	<u>Car Markings (inclusive)</u>
100	73-foot 100-ton Center Beam Thrall Flatcars	FBS	NOKL 8200-8299

Interstate Commerce Commission
Washington, D.C. 20423

3/23/88

OFFICE OF THE SECRETARY

Bonnie L. Dixon
Mudge, Rose, Guthrie Alexander & Ferdon
180 Maiden Lane
New York, N.Y. 10038

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/22/88 at 1:40pm, and assigned recordation number(s). 15375-E & 15375-F

Sincerely yours,

Narita R. McGee

Secretary

Enclosure(s)

RECORDATION NO. 15375 F 7166 1788

MAR 22 1988 - 1 40 PM

INTERSTATE COMMERCE COMMISSION

RECEIVED
MAR 22 1 33 PM '88
ICC
OFFICE OF SECRETARY

LOAN, SECURITY AND CONSOLIDATION AGREEMENT

Dated as of July 1, 1987

between

WILLIAM J. CONDREN
(Borrower)

and

CITIBANK, N.A.
(Bank)

This document relates to the following documents previously recorded by the Interstate Commerce Commission:

1. Security Agreement between the Borrower and the Bank dated as of October 26, 1987, having recordation number 1-5375.
2. Master Agreement among the Borrower, Weyerhaeuser Canada Ltd. and Weyerhaeuser Company dated as of September 1, 1987 having recordation number 1-5375-A.
3. Assignment of Master Agreement and Agreement between the Borrower and the Bank dated as of October 26, 1987 having recordation number 1-5375-B.
4. Flatcar Lease Agreement between the Borrower and Northwestern Oklahoma Railroad Co. dated as of September 1, 1987 having recordation number 1-5375-C.
5. Assignment of Lease and Agreement between the Borrower and the Bank dated as of October 26, 1987 having recordation number 1-5375-D.

LOAN, SECURITY AND CONSOLIDATION AGREEMENT

THIS LOAN, SECURITY AND CONSOLIDATION AGREEMENT dated as of July 1, 1987 ("this Agreement") between William J. Condren, whose place of business is located at 450 Park Avenue, New York, New York 10022 (the "Borrower"), and CITIBANK, N.A., a national banking association organized under the laws of the United States of America (the "Bank").

W I T N E S S E T H:

WHEREAS, the Borrower is presently indebted to the Bank in the principal amount of \$2,200,000, evidenced by the demand promissory note of the Borrower and his wife (collectively, the "Condrens") dated February 5, 1987, issued pursuant to that certain Note Modification and Mortgage Consolidation and Modification Agreement, dated February 5, 1987, between the Bank and the Condrens, and secured by a real estate mortgage on the Plandome Property and the Southhampton Property (such terms and all other capitalized terms used herein have the meanings specified in Section 1.1 hereof); and

WHEREAS, the Borrower has requested the Bank to make additional loans to the Borrower in the principal amount of up to \$2,750,000, and to consolidate all such indebtedness of the Borrower to the Bank in a single loan (the "Loan") in the maximum principal amount of \$4,950,000, evidenced by the Note; and

WHEREAS, the Bank is willing to make such additional loans to the Borrower and to consolidate such loans with said currently outstanding indebtedness into a single Loan evidenced by the Note on the terms and conditions herein set forth; and

WHEREAS, the Borrower, pursuant to this Agreement, agrees to make payments to the Bank in amounts sufficient to pay the principal of and interest on the Note and all other amounts due or to become due under this Agreement, and to secure his obligations hereunder and under the Note as herein provided;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

GENERAL DEFINITIONS AND RULES OF CONSTRUCTION

1.1. **Definitions.** For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

"Aircraft" shall mean that certain McDonnell Douglas Corporation Model DC-9 jet aircraft, manufacturer's Serial No. 47201, and any and all engines, appliances, instruments, accessories, seats and other equipment or parts of whatever nature from time to time installed on or attached to same, currently registered with the Spanish Civil Aviation Authority, bearing registration mark EC-ECU.

"Aircraft Leases" shall mean the Initial Aircraft Lease and any and all future leases of the Aircraft by the Borrower, as said leases are from time to time amended, modified or supplemented.

"Aircraft Subleases" shall mean any and all present or future subleases of the Aircraft or any portion thereof by the lessees under the Aircraft Leases or by any sublessee thereof, as said subleases are from time to time amended, modified or supplemented.

"Alternate Base Rate" shall mean a fluctuating interest rate per annum in effect from time to time equal to the higher of:

- (1) the rate of interest announced publicly by the Bank in New York, New York, from time to time, as the Bank's base rate; or
- (2) one-half of one percent ($\frac{1}{2}\%$) per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Bank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Bank from three New York certificate of deposit dealers of recognized standing selected by the Bank, in either case adjusted to the nearest one-quarter of one percent ($\frac{1}{4}\%$).

"Business Day" shall mean any day other than a Saturday, Sunday, public holiday or equivalent thereof for banks generally under the laws of the State of New York.

"Borrowing Date" shall mean the date specified in the notice of borrowing given to the Bank pursuant to Section 2.1(b) hereof, except that in the case of the initial Advance, the Borrowing Date shall be July 23, 1987.

"Collateral" shall mean all real property, personal property and other assets of the Borrower, whether now owned or hereafter acquired, in which the Bank has been or shall hereafter be granted a lien or security interest under this Agreement, the Loan Documents or any other agreement, wherever situate, including, without limitation, the Plandome Property, the Southampton Property, the Aircraft Leases, the right to receive payments under the Aircraft Leases and the Flatcar Leases, the Shares and Proprietary Lease pertaining to the Cooperative Apartment and the Partnership Interest, and all proceeds of the foregoing.

"Commitment" and "Commitment Termination Date" shall have the meanings set forth in Section 2.1(a) hereof; and "Commitment Period" shall mean the period from the date hereof to the Commitment Termination Date.

"Cooperative Apartment" shall mean Apartment 6-West in the building located at 998 Fifth Avenue, New York, New York.

"Flatcars" shall mean the 100 73-foot Center Beam flatcars manufactured by Thrall Car Manufacturing Company to be purchased by the Borrower on or before August 31, 1987.

"Flatcar Leases" shall mean any and all leases of the Flatcars or any portion thereof by the Borrower, as said leases are from time to time amended, modified or supplemented.

"Initial Aircraft Lease" shall mean the Aircraft Lease Agreement, dated as of April 1, 1987, between IAL Leasing, Ltd., as Lessee, and the Borrower, as Lessor, pertaining to the lease of the Aircraft for a term of 21 months as therein provided, and guaranteed by International Air Leases, Inc.

"Lien" shall mean any mortgage, pledge, collateral assignment, security interest, hypothecation, encumbrance, lien or charge of any kind whatsoever, including any conditional sales or other title retention agreement, any lease in the nature thereof, or the filing of or agreement to give any financing statement under the Uniform Commercial Code or similar law of any jurisdiction.

"Loan Documents" shall mean

- (a) this Agreement;
- (b) the Note;

- (c) the Aircraft Leases;
- (d) the Aircraft Lease Assignments, including Lessee's Acknowledgement of Notice of Assignment;
- (e) the Flatcar Leases;
- (f) the Flatcar Lease Assignments, including Lessee's Acknowledgement of Notice of Assignment;
- (g) the Security Agreement (pertaining to the Cooperative Apartment) and the Shares and other documents referred to therein;
- (h) the Modification Agreement, including the Mortgage and Mortgage Notes referred to therein; and
- (i) the Assignment of Partnership Interest, including an Acknowledgement of Assignment.

"Modification Agreement" shall mean that certain Mortgage and Modification, Spreader, Consolidation and Extension Agreement among the Bank, the Borrower and Murray Compound Lot 10 Corporation, a New York corporation ("Murray Compound"), dated as of July 23, 1987.

"Mortgage" shall mean the Mortgage, including the Prior Mortgage described in the Modification Agreement, securing indebtedness evidenced by various notes and instruments in the aggregate unpaid principal amount of \$4,950,000 (the "Mortgage Notes") and evidenced herein by the Note.

"Obligations" shall mean any and all present and future indebtedness, liabilities and obligations of the Borrower (or either of them) to the Bank, whether direct or indirect, joint and/or several, absolute or contingent, due or to become due, now existing or hereafter arising, and whether consisting of principal, interest, fees, charges, costs, expenses or otherwise, including, without limitation, all indebtedness, liabilities and obligations of the Borrower (or either of them) under or pursuant to any of the Loan Documents.

"Overdue Rate" shall mean the rate of interest provided in Section 2.2(b) hereof with respect to any principal amount not paid when due.

"Partnership Interest" shall mean the Borrower's partnership interest as a general partner in and to Third Avenue and Ninetieth Street Associates, a New York limited partnership (the "Partnership"), and in and to all distributions and other payments with respect thereto up to and including the sum of \$1,500,000.

"Person" shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

"Plandome Property" shall mean the premises located in Nassau County described in the Modification Agreement.

"Security Agreement" shall mean the Cooperative Loan Security Agreement between the Borrower and the Bank dated July 23, 1987.

"Southampton Property" shall mean the premises located in Suffolk County described in the Modification Agreement.

1.2. **Other Terms.** All other terms hereinbefore or hereinafter defined shall have the meanings herein assigned to such terms. Unless the context otherwise indicates or requires, all terms in this Agreement shall have the meanings provided by the Uniform Commercial Code of the State of New York as presently in effect to the extent the same are used or defined therein. Any accounting terms used in this Agreement and not specifically defined herein shall have the meanings ascribed to them in accordance with generally accepted accounting principles applied on a consistent basis.

1.3. **Rules of Construction.** Except as otherwise specifically provided in this Agreement, the singular of any term shall include the plural, and vice versa, the use of any term shall be equally applicable to any gender, "or" shall not be exclusive, and "including" shall not be limiting.

ARTICLE II

ADVANCES AND LOAN CONSOLIDATION

2.1. **Agreement to make Advances.** (a) Subject to the terms and conditions hereof, the Bank agrees to make additional loans (each such loan an "Advance", and all such loans "Advances") to the Borrower from time to time on or prior to December 31, 1987 (the "Commitment Termination Date"), in an aggregate principal amount of up to but not exceeding \$2,750,000 (the "Commitment"). All Advances hereunder shall be consolidated, upon the terms and conditions herein provided, with the presently outstanding indebtedness of the Borrower to the Bank in the unpaid principal amount of \$2,200,000 into a single loan in an aggregate principal amount at any one time outstanding not to exceed \$4,950,000 (the "Loan"). Without limiting the generality of the foregoing, the Bank's obligation to make Advances to the Borrower shall be subject to the following:

(i) advances up to the first \$950,000 of the Commitment shall be available to the Borrower, subject to satisfaction of the conditions set forth in Sections 4.1 and 4.2;

(ii) thereafter, Advances up to an additional \$900,000 of the Commitment shall be available to the Borrower, subject to satisfaction of the conditions set forth in Sections 4.2 and 4.3; and

(iii) thereafter, Advances up to the remaining \$900,000 of the Commitment shall be available to the Borrower, subject to satisfaction of the conditions set forth in Sections 4.2, 4.3 and 4.4.

(b) The Borrower shall give the Bank at least three (3) Business Days' notice of his intention to borrow pursuant to the Commitment, specifying a Business Day during the Commitment Period on which such borrowing is to be made (the "Borrowing Date") and the amount of such borrowing and requesting the Bank to make an Advance to the Borrower of such amount on the Borrowing Date. Funds with respect to each Advance made hereunder shall be paid directly to the account of the Borrower or to such other Person as the Borrower may direct, in immediately available funds in New York, New York, on the Borrowing Date, as specified in the aforesaid notice.

(c) The time, date and place of the closing with respect to the initial Advance under this Agreement are 10:00 A.M., New York City time, on July 23, 1987, at the offices of Mudge Rose Guthrie Alexander & Ferdon, 680 Fifth Avenue, New York, New York. The time, date and place for closings with respect to subsequent Advances shall be at such times, on such dates within the Commitment Period, and at such places as shall be mutually agreed upon by the parties hereto.

(d) The Borrower hereby agrees to pay to the Bank at the time of the initial Advance under this Agreement, in immediately available funds, a structuring fee in the amount of \$27,500.

2.2. The Note. (a) The Loan, including all Advances made by the Bank to the Borrower hereunder, shall be evidenced by the promissory note of the Borrower, substantially in the form of Exhibit A hereto (the "Note"), payable to the order of the Bank, representing the obligation of the Borrower to pay the principal amount of \$4,950,000 or, if less, the unpaid principal amount of the Loan with interest accrued thereon as specified in Section 2.2(b). The Bank is authorized to endorse the date and amount of the Loan, including each Advance, and each payment or prepayment of principal with respect thereto, on the Schedule annexed to and constituting

part of the Note, which endorsement shall constitute prima facie evidence of the accuracy of the information so endorsed.

(b) The Note shall be dated the date of the first Advance, mature on March 18, 1993, and bear interest on the unpaid principal amount thereof from time to time outstanding at a fluctuating rate per annum (the "Rate") equal to one percent (1%) above the Alternate Base Rate, each change in the Rate to take effect simultaneously with the corresponding change in the Alternate Base Rate, but in no event in excess of the maximum rate permitted by applicable law; provided, however, that if any part of the principal amount of the Note shall not be paid when due, interest thereon shall thereafter be payable at a rate per annum (the "Overdue Rate") equal to two percent (2%) above the rate which would otherwise be applicable pursuant to this Section 2.2(b) (but in no event in excess of the maximum rate permitted by applicable law) from the date of such non-payment until such overdue amount shall be paid in full.

(c) Principal and interest on the Note shall be payable on the eighteenth day of each calendar month commencing August 18, 1987 on the case of interest only, and commencing March 18, 1988 in the case of principal, and shall continue until the principal amount of the Note has been paid in full.

(d) All amounts payable by the lessees under the Aircraft Leases on a monthly basis, including basic rent ("Aircraft Monthly Revenues"), plus all amounts payable by the lessees under the Flatcar Leases for the month in which Aircraft Monthly Revenues are payable ("Flatcar Monthly Revenues"), which are received by the Bank pursuant to the assignments of such Revenues in accordance with Section 2.5(b) hereof shall be applied by the Bank in accordance with Section 2.2(c), first, to the payment of accrued and unpaid interest on the Note and, second, to the payment of the unpaid principal amount of the Note, until the Borrower has repaid the full principal amount of the Note and all accrued interest thereon; provided, however, that so long as no Event of Default shall have occurred and be continuing, the Bank shall be entitled to retain Aircraft Monthly Revenues only up to the amount of \$75,000 in any month and shall remit any excess to the Borrower; provided, further, that in the event any amounts other than Aircraft Monthly Revenues or Flatcar Monthly Revenues, as the case may be, shall become payable to the Borrower under the applicable Aircraft Leases or Flatcar Leases, including, without limitation, any supplemental rent, stipulated loss value payments or option exercise payments (collectively, "Additional Revenues"), such Additional Revenues shall be paid to the Bank when due under the Aircraft Leases or Flatcar Leases, as the case may be, and shall be applied by the Bank, notwithstanding Section 2.2(c), first, in payment of accrued and unpaid interest on the Note, and, second, in reduction of the unpaid principal amount of the Note, with any amount remaining after payment in full of the unpaid principal amount of and accrued interest on the Note, and all other amounts payable under

this Agreement to the Bank, to be paid to the Borrower. Notwithstanding the foregoing, in the event the Aircraft shall at any time, or from time to time, be off lease, at a time when no Flatcar Monthly Revenues are available, the Borrower shall have the right to pay interest only, at the Rate herein provided, until the next Payment Date specified in Section 2.2(e) hereof.

(e) On March 18, 1989 and on March 18 of each successive calendar year to and including March 18, 1993, the Borrower shall pay to the Bank without demand therefor, for application to the unpaid principal amount of the Note, an amount equal to the excess, if any, of (i) the applicable "Installment Amount" set forth below, over (ii) the aggregate of all amounts received and applied by the Bank in reduction of such principal amount of the Note pursuant to Section 2.1(d) hereof during the twelve (12) months immediately preceding the corresponding "Payment Date" set forth below, as follows:

(A) In the event that the mandatory prepayment of the Note specified in Section 2.4(b) does not occur (and assuming Advances are made in the amount of \$950,000):

<u>Payment Date</u>	<u>Installment Amount</u>
March 18, 1989	\$511,145
March 18, 1990	\$564,668
March 18, 1991	\$623,796
March 18, 1992	\$689,116
March 18, 1993	\$761,275

(B) In the event that the mandatory prepayment of the Note specified in Section 2.4(b) occurs (and assuming Advances are made in the amount of \$2,750,000):

<u>Payment Date</u>	<u>Installment Amount</u>
March 18, 1989	\$559,825
March 18, 1990	\$618,446
March 18, 1991	\$683,205
March 18, 1992	\$754,746
March 18, 1993	\$833,778

(C) In the event that the Advances shall not have been made for any reason up to the full amount assumed for the purposes of subparagraph (A) or (B) above, the Bank shall recalculate the applicable Installment Amounts on the same basis as the original calculation, based on the actual Advances made and the total outstanding unpaid principal amount of the Note, and shall make appropriate notations on the Note to record such changes in Installment Amounts.

The Bank's determination thereof shall be conclusive, absent manifest error.

2.3. Payments. (a) The principal of and interest on the Note, and each other payment under this Agreement and each payment under the Lease Assignments, shall be made in immediately available funds, not later than 5:00 P.M. New York City time on the day when due, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

(b) Whenever any payment to be made to the Bank under the Lease Assignments, the Assignment of Partnership Interest, this Agreement or the Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and with respect to any payments of principal of the Note, interest thereon shall be payable at the then applicable Rate to the extended payment date.

(c) Interest on the Note shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

2.4. Optional and Mandatory Prepayments of Note. (a) The Borrower may, at his option, at any time and from time to time, upon not less than thirty (30) days' prior written notice to the Bank, prepay all or any part of the principal amount of the Note, without penalty or premium, provided that concurrently with each such prepayment the Borrower shall pay accrued interest on the principal amount so prepaid to the date of such prepayment, and each such prepayment shall be applied to the Installment Amounts in inverse order of the Payment Dates set forth in Section 2.2(e) above.

(b) The sum of \$1,500,000 expected to be received in February, 1988 by the Borrower as a partial liquidation distribution in respect of his Partnership Interest, and which has been assigned to the Bank as herein provided, shall be applied immediately to the payment of the outstanding unpaid principal amount of the Note. In addition, the Borrower shall pay to the Bank at the time of such prepayment an amount equal to any accrued and unpaid interest in respect of the principal amount so prepaid.

(c) If at any time prior to the payment in full of the Note, the Aircraft or any of the Flatcars (after the acquisition thereof), as the case may be, remains off lease for a period of 180 consecutive days, then the Borrower shall use his best efforts to sell the Aircraft or any such Flatcars, as the case may be, for cash in an amount equal to the full fair market value thereof within 90 days thereafter, and the first proceeds of any such sale shall be applied to the payment of the principal of and accrued interest on the Note, which Note shall become immediately due and payable, without notice or demand, upon the earliest to occur of (i) the

expiration of the aforesaid 90-day period or (ii) the date on which the Aircraft or such Flatcars, as the case may be, are sold.

(d) If (A) at any time prior to March 18, 1988, the ratio of (i) the outstanding principal amount of the Note to (ii) the then current aggregate fair market value (based on current appraisals, changes in market conditions or other factors deemed relevant by the Bank, all as determined by the Bank in its sole and absolute discretion) of the Cooperative Apartment, the Plandome Property and the Southampton Property, unencumbered by the lien of the Mortgage, shall exceed 0.825, or (B) at any time on or subsequent to March 18, 1988, the aforesaid ratio shall exceed 0.575, then, in any such event, the Borrower shall be required to make a prepayment of principal of the Note on or before the last day of the calendar year in which the Bank gives notice to the Borrower of such change in the loan to value ratio, in an amount equal to the product of (x) the difference between the ratio determined as provided in clause (A) above and 0.825 or 0.575, as the case may be, and (y) the aforesaid aggregate fair market value of the Collateral described in clause (A) above determined as therein provided. The amount of any such prepayment shall be accompanied by an amount equal to any accrued and unpaid interest with respect to the amount so prepaid. Anything herein to the contrary notwithstanding, the loan to value ratio shall at no time exceed 1.65 of the fair market value of the Plandome and Southampton Properties, unencumbered by the lien of the Mortgage, during the period referred to in clause (A) above or 1.15 thereof during the period referred to in clause (B) above, such fair market value to be determined as provided in clause (A) above. Upon being advised by the Bank that such condition exists, the Borrower shall immediately make a prepayment of principal of the Note in an amount such that the outstanding principal amount of the Note after such payment shall not exceed the applicable percentage of such aggregate fair market value, together with any accrued and unpaid interest thereon. The Borrower and the Bank hereby acknowledge and agree that, as of the date hereof, the fair market value of the Plandome Property is \$500,000 and the fair market value of the Southampton Property is \$2,500,000, in each case unencumbered by the lien of the Mortgage, and the fair market value of the Cooperative Apartment is \$3,000,000.

2.5. Grant of Security Interests. (a) As security for the due and punctual payment of the Obligations, including without limitation, the principal of and interest on the Note according to its terms and all other amounts payable by the Borrower pursuant to this Agreement and the performance and observance by the Borrower of all the covenants made by him in this Agreement or in any agreement, document or certificate delivered in connection herewith, the Borrower hereby grants to the Bank a security interest in:

(i) all of the Borrower's right, title and interest in and to any Aircraft Lease, together

with all renewals of such lease executed from time to time, and all payments, including, without limitation, all payments of rent, all insurance proceeds (other than public liability insurance proceeds) and all other amounts due or to become due thereunder;

(ii) all of the Borrower's right, title and interest in and to the Borrower's share of all payments, including, without limitation, all payments of rent, all insurance proceeds (other than public liability insurance proceeds), and all other amounts due or to become due, under any Flatcar Leases, and all renewals of such leases executed from time to time; and

(iii) all of the Borrower's right, title and interest in and to his Partnership Interest, and all proceeds thereof, including, without limitation, all distributions or other payments, whether of capital, profits or otherwise, made or to be made in respect thereof.

(b) The Borrower agrees to execute and deliver to the Bank in connection with (i) each Aircraft Lease, a collateral assignment of Aircraft Lease and all payments due and to become due thereunder as described in Section 2.5(a)(i) above, in substantially the form annexed hereto as Exhibit B and (ii) each Flatcar Lease, a collateral assignment of all payments due and to become due to Borrower thereunder, as described in Section 2.5(a)(ii) above, in substantially the form annexed hereto as Exhibit D. Each such collateral assignment (the "Lease Assignments") shall be accompanied by an Acknowledgement of Notice of Assignment by the lessee under such Aircraft Lease or Flatcar Lease, as the case may be, in substantially the form annexed hereto as Exhibit C or E, as the case may be. All payments received by the Bank pursuant to the Lease Assignments shall be applied by the Bank as provided in Section 2.2(d) hereof. In addition, the Borrower agrees to execute and deliver to the Bank a collateral assignment of the Partnership Interest and all distributions and payments due or to become due and payable to him with respect thereto, of whatever nature, whether of capital, profits, or otherwise, in substantially the form annexed hereto as Exhibit F (the "Assignment of Partnership Interest"), accompanied by an Acknowledgement of Notice of Assignment, duly executed and delivered on behalf of the Partnership by a general partner thereof, in substantially the form annexed hereto as Exhibit G. All payments received by the Bank pursuant to said Assignment of Partnership Interest shall be applied by the Bank as provided in Section 2.4(b) hereof.

(c) The Borrower agrees to use his best efforts to keep the Aircraft and the Flatcars fully leased so as to provide

sufficient Aircraft Monthly Revenues and Flatcar Monthly Revenues to cover the Cumulative Amounts specified in Section 2.2(e) hereof. The Borrower shall not enter into any Aircraft Lease or Flatcar Lease without the prior written consent of the Bank, which consent may be granted or withheld by the Bank in its sole and absolute discretion. Each of the Aircraft Leases and Flatcar Leases shall provide that (a) payments of any or all Aircraft Monthly Revenues, Flatcar Monthly Revenues and Additional Revenues (collectively, the "Lease Revenues") may be assigned by the Borrower to any third party, (b) lessee's obligation to pay directly to such assignee the amounts due under the Aircraft Lease or Flatcar Lease (whether as rent or otherwise) shall be absolute and unconditional, (c) lessee shall pay all amounts due from lessee under the Aircraft Lease or Flatcar Lease (whether as rent or otherwise) to such assignee, notwithstanding any offset, defense, counterclaim or right of deferral whatsoever, whether by reason of breach of the Aircraft Lease or Flatcar Lease or otherwise, which lessee may have at any time as against the Borrower, as lessor, and (d) lessee will expressly consent in writing to said assignment and will agree to remit all Lease Revenues to the Bank without offset, defense, counterclaim or deferral of any kind, by executing and delivering an Acknowledgement of Notice of Assignment in substantially the form annexed hereto as Exhibit C or E, as appropriate.

(d) As additional security for the payment of the Obligations, simultaneously with the first Advance by the Bank hereunder,

(i) the Borrower shall pledge, deliver and assign to the Bank, and grant to the Bank a security interest in, the 920 shares of capital stock (the "Shares") of 998 Fifth Avenue Corporation, a New York cooperative corporation (the "Corporation"), owned by him, and that certain Proprietary Lease, dated September 30, 1971, between the Corporation and the Borrower, appertaining to the Shares and cooperative apartment 6-West, pursuant to the Security Agreement in the form annexed hereto as Exhibit H; and

(ii) the Borrower and Murray Compound, as mortgagors, shall execute and deliver to the Bank, as mortgagee, a Mortgage Notes in the principal amount of \$4,950,000, and Mortgage on the Plandome Property and the Southampton Property, pursuant to the Modification Agreement.

(e) The Borrower will cause the Aircraft Leases and all supplements thereto, the Flatcar Leases and all supplements thereto, the Lease Assignments, the Assignment of Partnership Interest, the Mortgage, and all financing and continuation statements and similar

notices required by applicable law, at all times to be kept, recorded and filed at his own expense in such manner and in such places as may be required by law (including, without limitation, the laws of Spain, where the Aircraft is currently registered, the Federal Aviation Act, the Interstate Commerce Act and, in the case of the Flatcar Leases and Flatcar Lease Assignments only, the laws of Canada) in order fully to preserve, protect and perfect the rights of the Bank as secured party hereunder, or as mortgagee under the Mortgage, and will at his own expense furnish to the Bank promptly after the execution and delivery of this Agreement, an opinion or opinions of counsel satisfactory to the Bank stating that in the opinion of such counsel this Agreement, the Aircraft Leases, the Lease Assignments, the Assignment of Partnership Interest (or a financing statement or similar notice in respect of any thereof), and the Mortgage, as the case may be, have been properly recorded or filed for record so as to make effective of record the security interests intended to be created hereby, and stating the requirements of applicable law with respect to the re-recording or re-filing of this Agreement, the Aircraft Leases, the Lease Assignments, the Assignment of Partnership Interest (or continuation statements or similar notice of any thereof to the extent permitted or required by applicable law) and the Mortgage prior to the final maturity date of the Note in order to maintain the lien and security interest granted hereunder and thereunder in full force and effect as against creditors of and purchasers from the Borrower.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and to engage in the transactions contemplated hereunder, the Borrower represents and warrants to the Bank as follows, all of which representations and warranties are continuing and shall survive the execution and delivery of this Agreement:

3.1. **Powers of Borrower.** The Borrower has the power and capacity to execute, deliver and perform this Agreement, the Note, the Security Agreement, the Modification Agreement and such of the other Loan Documents as are required by this Agreement to be executed, delivered and performed by the Borrower.

3.2. **Valid and Binding Obligations.** Each of this Agreement and the other Loan Documents to which the Borrower is a party has been duly executed and delivered by the Borrower, and, assuming the due authorization, execution and delivery by the Bank and/or the other parties thereto, constitutes, or upon execution thereof will constitute, the legal, valid and binding obligation of each of the Borrower, enforceable in accordance with its respective terms.

3.3. Compliance with Other Agreements and Applicable Law.

Neither the execution and delivery of this Agreement, any of the other Loan Documents or any of the agreements, documents and instruments to be delivered pursuant hereto or thereto, nor the consummation of the transactions herein or therein contemplated, nor compliance with the provisions hereof or thereof, will violate any law or regulation, or any order or decree of any court or governmental instrumentality in any respect, or will conflict with, or result in the breach of, or constitute a default in any material respect under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party or by which the Borrower or his properties may be bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property of the Borrower except for the liens and security interests herein granted to the Bank.

3.4. Principal Residence and Place of Business.

The street address and mailing address of the principal residence of the Borrower is 998 Fifth Avenue, Apartment 6-West, New York, New York 10028, and the Borrower's place of business is located at 450 Park Avenue, New York, New York 10022.

3.5. Authorizations, Approvals, etc.

No authorization or approval or other action by, and no notice to or filing with any governmental authority or agency (including, without limitation, the Department of Transportation, the Federal Aviation Administration or the Interstate Commerce Commission), regulatory body or any other person is required for the due execution, delivery or performance by either of the Borrower of this Agreement, the Note or any of the other Loan Documents to which he is or will be a party, except for the actions required pursuant to Section 2.5(e) hereof, and except that the Recognition Agreement referred to in Section 2.4 hereof may not be obtainable.

3.6. Title to Properties.

(a) The Borrower has good and marketable title to all of his properties and assets (including, without limitation, the Plandome Property, the Southampton Property, the Partnership Interest, the Aircraft, and the Shares and Proprietary Lease pertaining to the Cooperative Apartment), and all such properties and assets are owned free and clear of any Lien or claim of any kind, except (i) those in favor of the Bank hereunder and (ii) certain tax liens described in Exhibit I annexed hereto.

(b) The Borrower will have on any Borrowing Date on or subsequent to the date of his acquisition of title to the Flatcars from Thrall Car Manufacturing Company good and marketable title to the Flatcars, free and clear of any Lien or claim of any kind, except those in favor of the Bank hereunder, Sanwa Business Credit Corporation ("Sanwa") or any other financial institution financing part of the purchase price thereof, Helm Financial Corporation ("Helm") and the lessee(s) under any Flatcar Leases.

3.7. Assignment of Partnership Interest. The assignment by the Borrower to the Partnership of his partnership interest as a general and a limited partner of D. S. Ninetieth Street Associates, a New York limited partnership, as contemplated by the Limited Partnership Agreement dated as of September 21, 1979 forming the Partnership, is a legal, valid and binding assignment under the terms of the Agreement of Limited Partnership of D. S. Ninetieth Street Associates dated as of October 26, 1978; and the Partnership has been duly admitted as a limited partner of D. S. Ninetieth Street Associates.

3.8. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower in any court or before any governmental commission, arbitrator, board or authority which, if adversely determined, would have a material adverse effect on either the financial condition of the Borrower or the ability of the Borrower to perform his obligations under this Agreement or the Note or any of the other Loan Documents.

3.9. Compliance. The Borrower is not in default in any material respect under any indenture, mortgage or loan agreement to which he is a party; nor is the Borrower in default in any material respect under any other agreement to which the Borrower is a party or by which he is bound; nor is the Borrower in violation of any law, order, injunction, decree, rule or regulation applicable to the Borrower of any court or administrative body, which violation could materially and adversely affect the business, property or assets, operations or condition, financial or otherwise, of the Borrower.

3.10. Taxes. The Condrens have each filed all Federal, state and local tax returns and all foreign tax returns which are required to be filed by them, or either of them, and each has paid all taxes shown to be due and payable on such returns or (except to the extent that the liability for payment of any such taxes is being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by them or either of them to the extent such taxes have become due and payable.

3.11. Federal Reserve Regulations. The Borrower is not engaged principally, or as one of his important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of the Loan or any Advance will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for the purpose of repaying any loan the proceeds of which were used for such purpose. If requested by the Bank, the Borrower will furnish to it a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in said Regulation U. No part of the proceeds of the

Loan or any Advance will be used for any purpose that violates, or which is inconsistent with, the provisions of Regulation X or any other regulation of said Board of Governors.

3.12. Correctness of Representations. No financial statements or other information furnished by or on behalf of the Borrower in connection with this Agreement, the Note, or any of the other Loan Documents contains any untrue statement of a material fact or omits to state a material fact or any fact necessary to make the representations and statements made herein and therein not materially misleading.

3.13. No Event of Default. After giving effect to the transactions contemplated by this Agreement and the other agreements, documents and instruments to be delivered in connection herewith, there does not exist at the date hereof any condition or event which constitutes an Event of Default (as hereinafter defined) or which, after notice and/or lapse of time, would constitute an Event of Default.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Conditions of First Advance. The obligation of the Bank to make an Advance hereunder on the first Borrowing Date is subject to the satisfaction of the following conditions:

(a) **Note.** The Bank shall have received the Note conforming to the requirements hereof and duly executed and delivered by the Borrower.

(b) **Initial Aircraft Lease.** The Bank shall have received the "original" executed counterpart of the Aircraft Lease dated as of April 1, 1987, between William J. Condren, as Lessor, and IAL Leasing Ltd., as Lessee, and the Guarantee of International Air Leases, Inc., each dated April 10, 1987, providing for the lease of the Aircraft, together with evidence (including an opinion of such Lessee's and such Guarantor's counsel satisfactory in form and scope to the Bank) as to the due authorization, execution and delivery of such Lease and Guarantee, and the validity, binding effect and enforceability thereof.

(c) **Collateral Assignment of Aircraft Lease; Lessee's Acknowledgment.** The Bank shall have received the collateral Aircraft Lease Assignment in substantially the form of Exhibit B hereto, duly executed and delivered by the Borrower, as lessor, together with the Acknowledgment of Notice of Assignment of Aircraft Lease, in substantially the form of Exhibit C hereto, duly executed and

delivered by IAL Leasing, Ltd., as lessee and by International Air Leases, Inc., as guarantor.

(d) **Modification Agreement.** The Bank shall have received the Modification Agreement, Mortgage Notes and Mortgage, duly executed and delivered by the Borrower and Murray Compound.

(e) **Cooperative Loan Security Agreement.** The Bank shall have received the Security Agreement, duly executed and delivered by the Borrower, and the documents, instruments and agreements contemplated by the Security Agreement, including the following:

(i) an undated Stock Power, duly endorsed in blank by the Borrower;

(ii) the stock certificate(s) representing the Shares;

(iii) an undated Assignment of Proprietary Lease, duly executed in blank by the Borrower; and

(iv) the Proprietary Lease with respect to the Cooperative Apartment.

(f) **Evidence Regarding Security Interests.** The Bank shall have received evidence satisfactory in form and substance to it as to the following:

(i) The Borrower has acquired good and marketable title to the Aircraft, including the Airframe and each Engine constituting part of the Aircraft, free and clear of all Liens, except the Lien of the Bank hereunder.

(ii) The Aircraft has been duly registered or recorded under the laws of Spain and has been duly certified by the appropriate Spanish civil aviation authorities as to airworthiness.

(iii) The Bank has a duly perfected first priority security interest in the Initial Aircraft Lease, the Guarantee and all Aircraft Monthly Revenues and Additional Revenues due and to become due thereunder.

(iv) The Bank shall have received reports of title concerning the Plandome Property and the Southampton Property satisfactory to the Bank in its sole discretion, issued by a title insurance

company satisfactory to the Bank in its sole discretion.

(v) The Bank shall have received an endorsement, in form and substance satisfactory to the Bank, insuring the lien of the Mortgage for the aggregate amount of \$3,000,000, evidenced by the Mortgage Notes, which endorsement shall be issued by a title insurance company satisfactory to the Bank in its sole discretion.

(vi) Appropriate Uniform Commercial Code financing statements or other documents covering the security interests granted to the Bank hereunder with respect to the Initial Aircraft Lease, the Lease Revenues with respect thereto, and the Proprietary Lease on the Cooperative Apartment have been duly filed in each jurisdiction necessary or advisable to perfect or protect such security interests.

(vii) This Agreement, the Initial Aircraft Lease, and the Lease Assignment with respect thereto, have been duly recorded or filed for recordation with the appropriate civil aviation authorities under Spanish law, if such recording is necessary under such law in order to record, perfect, or otherwise protect the interests of the Borrower as Owner and Lessor, and the Bank, as the case may be, in or with respect to the Aircraft, the Initial Aircraft Lease or the Lease Assignment with respect thereto, as the case may be.

(viii) The Mortgage has been duly recorded in the appropriate real estate records of Nassau and Suffolk Counties in the State of New York or delivered for recording to a title insurance company satisfactory to the Bank in its sole discretion.

(g) **Opinion of Counsel for the Borrower.** The Bank shall have received a written opinion of William J. Condren, counsel for the Borrower, dated the date of the first Advance hereunder and addressed to the Bank, which opinion shall be in form and substance satisfactory to the Bank in its sole discretion.

(h) **Approval of Counsel for the Bank.** All proceedings to be taken in connection with the transactions contemplated by this Agreement and all documents incident to such transactions shall be satisfactory in form and substance to the Bank and to its special

counsel, Mudge Rose Guthrie Alexander & Ferdon, and the Bank shall have received all instruments, documents, opinions, approvals and other items which the Bank and/or its special counsel may have requested in connection with such transactions.

(i) **Waiver of Certain Conditions.** It is understood and agreed by the parties that as of the first Borrowing Date, the Borrower may be unable to fulfill certain conditions, including, but not limited to, the conditions described in Sections 4.1(b), 4.1(c), 4.1(f)(i), 4.1(f)(ii), 4.1(f)(iii), and 4.1(f)(viii). It is also understood that the Bank reserves the right, in its sole discretion, to waive the fulfillment of such conditions on the first Borrowing Date provided the Borrower agrees by means of a written undertaking executed on the first Borrowing Date to fulfill such conditions within thirty (30) days of the first Borrowing Date.

4.2. Conditions To All Advances. The obligation of the Bank to make any Advances (including the Initial Advance) to be made by it hereunder is subject to the following conditions precedent:

(a) **Notice.** The Borrower shall have given the notice to the Bank referred to in Section 2.1(b) hereof.

(b) **Representations and Warranties.** A certificate signed by the Borrower to the effect that the representations and warranties set forth in Article III are true and correct as if made on and with respect to the date of such Advance.

(c) **No Default or Event of Default.** No Default or Event of Default shall have occurred and be continuing on such date on or after giving effect to the Advance to be made on such date, and a statement to the foregoing effect shall be included in the Borrower's certificate referred to in Section 4.2(b) above.

4.3. Conditions for Additional Advances of up to \$1,800,000. (a) The obligation of the Bank to make additional Advances of up to \$900,000 as provided in Section 2.1(a)(ii) is subject to the satisfaction of the following additional conditions:

(i) The Bank shall have theretofore made Advances to the Borrower in the amount of \$950,000 as provided in Section 2.1(a)(i); and

(ii) The Bank shall have obtained a valid, binding and enforceable, and perfected, prior lien and security interest in and to the Partnership Interest and the proceeds thereof in an amount not less than \$1,500,000.

(b) The obligation of the Bank to make further additional advances of up to \$900,000 as provided in Section 2.1(a)(iii) is subject to the satisfaction of the following additional conditions:

(i) the conditions referred to in Section 4.3(a) shall have been satisfied; and

(ii) the conditions specified Section 4.4 shall have been satisfied.

(c) Evidence Regarding Security Interest in Partnership Interest. At or prior to the initial Advance pursuant to Section 4.3(a), the Bank shall have received evidence satisfactory in form and substance to it as to the following:

(i) The Partnership is a limited partnership, duly organized and existing in good standing under the laws of the State of New York.

(ii) The Bank has a duly perfected first priority security interest in the Partnership Interest and in all distributions and payments of whatever kind or nature whether in liquidation, partial liquidation or otherwise, including, without limitation, payments from capital, profits or cash flow, now or hereafter made in respect thereof.

(iii) Appropriate Uniform Commercial Code financing statements on the documents covering the security interest granted to the Bank hereunder with respect to the Partnership Interest and the proceeds thereof have been duly filed in each jurisdiction necessary or advisable to perfect or protect such security interest.

(d) Collateral Assignment of Partnership Interest; Partnership's Acknowledgment. The Bank shall have received, at or prior to the initial Advance pursuant to Section 4.3(a), the Assignment of Partnership Interest in substantially the form of Exhibit F hereto, duly executed and delivered by the Borrower, together with the Acknowledgement of Notice of Assignment, in substantially the form of Exhibit G hereto, duly executed and delivered by the Partnership.

(e) Opinion of Counsel for the Borrower. The Bank shall have received, at or prior to the initial Advance pursuant to Section 4.3(a), a written opinion of William J. Condren, counsel to the Borrower, dated the date of the initial Advance pursuant to this Section 4.3 and addressed to the Bank, which opinion shall be in form and substance satisfactory to the Bank in its sole discretion.

(f) **Additional Documents.** The Bank shall have received, at or prior to the initial Advance pursuant to Section 4.3(a), such other documents, certificates and opinions (including opinions of the Partnership's counsel satisfactory to the Bank) as it or its special counsel shall reasonably request.

4.4. Additional Conditions of any Advance Made on or After the Purchase of Flatcars. The obligation of the Bank to make any Advance hereunder on or after the date of purchase by the Borrower of the Flatcars is subject to the satisfaction of the following additional conditions:

(a) **Flatcar Leases.** The Bank shall have received an executed counterpart of each Flatcar Lease.

(b) **Collateral Assignment of Flatcar Leases; Lessee's Acknowledgment.** The Bank shall have received a Collateral Assignment of Flatcar Lease in substantially the form of Exhibit D annexed hereto, duly executed and delivered by the Borrower, as Lessor, together with the Acknowledgment of Notice of Assignment of Flatcar Lease, in substantially the form of Exhibit E annexed hereto, duly executed and delivered by the Lessee and any guarantor with respect to such lease thereunder.

(c) **Evidence Regarding Security Interest in Flatcar Revenues.** The Bank shall have received evidence satisfactory in form and substance to it as to the following:

(i) The Borrower has acquired good and marketable title to the Flatcars, free and clear of all Liens other than the Lien of Sanwa, the rights of the Lessee under such Flatcar Lease, and the rights of Helm, as Lessor/Manager with respect to such Lease.

(ii) The Bank has a duly perfected first priority security interest in the Borrower's share of Lease Revenues due and to become due under each such Flatcar Lease.

(iii) Appropriate Uniform Commercial Code financing statements or other documents covering the security interests granted to the Bank hereunder with respect to the Owner's share of Lease Revenues with respect to such Flatcar Leases have been duly filed in each jurisdiction necessary or advisable to perfect or protect such security interests, including the filing of any such documents or other notices in any jurisdiction in Canada.

(iv) This Agreement, the Flatcar Leases and the Lease Assignment(s) with respect thereto have been duly recorded or filed for recordation with the Interstate Commerce Commission.

(d) **Opinion of Counsel for the Borrower.** The Bank shall have received a written opinion of William J. Condren, counsel for the Borrower, dated the date of the first advance hereunder and addressed to the Bank, which opinion shall be in form and substance satisfactory to the Bank in its sole discretion.

(e) **Additional Documents.** The Bank shall have received such other documents, certificates and opinions (including opinions of lessees' counsel satisfactory to the Bank) as it or its special counsel shall reasonably request.

ARTICLE V

COVENANTS OF THE BORROWER

5.1. **Affirmative Covenants.** So long as this Agreement remains in effect or any principal of or interest on the Note shall remain unpaid, the Borrower shall, unless the Bank shall otherwise consent in writing:

(a) **Compliance with Laws, Etc.** Comply with the requirements of all applicable laws and the orders or regulations of any applicable governmental authority, including, without limitation, all requirements for the registration, operation and maintenance of the Aircraft and the Flatcars, as the case may be.

(b) **Payment of Taxes.** Pay and discharge, or cause to be paid and discharged, before the same become delinquent, all taxes, assessments and governmental charges or levies imposed upon the Borrower, upon his income or profits or upon any of his property (real, personal or mixed) or any part thereof, except to the extent contested in good faith and adequately reserved against; provided, however, that all such taxes, assessments and governmental charges shall be paid if a proceeding is commenced to foreclose any Lien which has attached as security therefor.

(c) **Property Insurance.** Maintain, or cause lessees to maintain, his properties (including, without limitation, the Aircraft, the Flatcars, the Cooperative Apartment, the Plandome Property and the Southampton Property) in good condition and repair and maintain, or cause lessees to maintain, insurance with respect to the foregoing properties, with responsible insurance companies in such amounts and forms, with such endorsements, and against such risks, as the Bank may request, and in any event as is customary and prudent for an owner of such properties to maintain.

(d) **Financial and Other Reporting Requirements.** Furnish to the Bank such information respecting the condition (financial or otherwise), operations, business or affairs of the Borrower as the Bank may from time to time request, and promptly notify the Bank in writing as to any material adverse change in any of the foregoing.

(e) **Books and Records.** At any time and from time to time, permit the Bank and its agents and representatives to examine and make copies of and abstracts from the records and books of account of the Borrower, and inspect, without limitation, the Aircraft, the Flatcars, the Cooperative Apartment, the Plandome Property and the Southampton Property.

(f) **Appraisals.** Within 90 days after the date hereof, and again within 60 days before or after the second and fourth anniversaries of the date hereof, deliver to the Bank written appraisals as to the fair market value of the Cooperative Apartment, the Plandome Property and the Southampton Property, each prepared by an independent appraiser satisfactory to the Bank in its sole discretion.

(g) **Recognition Agreement.** At the sole cost and expense of the Borrower, use his best efforts to obtain the Recognition Agreement within 60 days after the date hereof.

(h) **Address Changes.** Immediately advise the Bank in writing of any change in the mailing address of the principal residence or place of business of the Borrower.

(i) **Copies of Leases and Subleases.** Provide the Bank with true, complete and accurate copies of all Aircraft Leases, Aircraft subleases, Flatcar Leases and Flatcar subleases (including all amendments, modifications and supplements thereof and thereto) entered into from time to time, immediately following the execution thereof.

(j) **Further Documents.** At the written request of the Bank, at any time and from time to time, at the Borrower's sole expense, promptly take such action and execute and deliver such financing statements, continuation statements and further instruments and documents as the Bank may reasonably request in order to more fully perfect, evidence or effectuate the security interests granted to the Bank hereunder or under the Mortgage or the Security Agreement or to enable the Bank to exercise and enforce its rights and remedies hereunder or under any other Loan Document. The Borrower hereby authorizes the Bank to file without his signature one or more financing or continuation statements under the Uniform Commercial Code in effect in the State of New York relating to any of the Collateral, naming the Bank as "secured party" and the Borrower as "debtor".

5.2. Negative Covenants. So long as this Agreement remains in effect or any principal of or interest on the Note shall

remain unpaid, the Borrower shall not, unless the Bank shall otherwise consent in writing:

(a) **Indebtedness.** Create, incur, assume or suffer to exist any indebtedness for borrowed money other than the Loan or such other indebtedness as may exist on the date hereof and which has been disclosed in writing to the Bank, guarantee the obligations of any other person or entity, or otherwise incur any absolute or contingent liability.

(b) **Payment of Indebtedness.** Fail to pay promptly or permit to remain unpaid any indebtedness for borrowed money.

(c) **Liens.** Incur, create, assume or suffer to exist, or permit any other person or entity to create, any Lien upon or with respect to any assets of the Borrower, including the Aircraft, the Flatcars (other than the Lien of Sanwa or any other financial institution financing part of the purchase price thereof) or any of the Collateral.

(d) **Sale of Assets.** Sell, convey, lease, transfer or otherwise dispose of all or substantially all of his properties or assets.

(e) **Sale, Lease, Etc. of the Aircraft or the Flatcar.** Cause or suffer the sale (except in accordance with Section 2.4(b) hereof), lease, sublease, assignment, transfer or other disposition of the Aircraft or the Flatcars.

(f) **Aircraft and Flatcar Leases.** Amend, modify or cancel, or permit the amendment or modification in any material respect, or cancellation of, any Aircraft Lease or Flatcar Lease.

(g) **Regulation U.** Use any proceeds of the Loan or any Advance to purchase or carry margin stock (as defined in Regulation U or Regulation X of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying such margin stock.

ARTICLE VI

EVENTS OF DEFAULT

If any of the following events (each, an "Event of Default" and, collectively, the "Events of Default") shall occur:

(a) The Borrower shall fail to fulfill any conditions waived pursuant to Section 4.1(i) within thirty (30) days of the first Borrowing Date; or

(b) The Borrower shall fail to pay when due any installment of principal of or interest on the Note, or shall default in the payment when due of any of the other Obligations; or

(c) Any representation, warranty or certification made or given to the Bank (or any of its officers) by the Borrower under or in connection with this Agreement, any other Loan Document, or any financial statements, applications or other documents shall prove to have been false in any material respect; or

(d) The Borrower shall fail to comply with, perform or observe any term, covenant or agreement contained in this Agreement, any other Loan Document or any other contract or agreement with the Bank or otherwise; or

(e) The Borrower shall fail to pay any fees or costs required to be paid to the Bank under this Agreement, any other Loan Document or any other contract or agreement with the Bank or otherwise; or

(f) Except as provided in clause (b) above, the Borrower shall fail to pay any indebtedness for borrowed money, or any interest or premium thereon, when due (whether at scheduled maturity, by required prepayment, acceleration or demand, or otherwise) and such failure shall continue after any applicable grace period; or

(g) The Borrower shall admit in writing his inability to pay his debts, or shall make a general assignment for the benefit of creditors; or

(h) Any case or other proceeding shall be commenced by or against the Borrower seeking an order for relief or to adjudicate him a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, or composition of him or of his debts under any law, domestic or foreign, relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking appointment of a receiver, trustee, or other similar official for him or for any substantial part of his property; or

(i) This Agreement, the Lease Assignments, the Assignment of Partnership Interest, the Security Agreement, the Mortgage or any other instrument granting the Bank a security interest in any of the Collateral shall for any reason, except to the extent permitted by the terms thereof, cease to create a valid and perfected first priority security interest in the collateral purported to be covered thereby; or

(j) Any of the Collateral shall be subjected to any Lien (other than in favor of the Bank) or to attachment, levy of execution or other judicial process; or

(k) Any person, corporation or other entity (other than the Bank) shall enforce or attempt to enforce any judgment, Lien or any right or interest with respect to all or any portion of the Collateral; or

(l) A default under any Loan Document shall have occurred;
or

(m) A final judgment or judgments for the payment of money, aggregating in excess of \$500,000, shall be rendered against the Borrower and remain unpaid or any suit or other action shall be instituted against the Borrower seeking an unspecified amount of damages or damages in excess of \$500,000; or

(n) A material adverse change in the financial and/or business condition of the Borrower shall occur or have occurred; or

(o) A default by any lessee or guarantor occurs and continues beyond any applicable grace period under any of the Aircraft Leases or Flatcar Leases;

then, or at any time thereafter, the Bank may, but is not obligated to, after notice to the Borrower, declare the Note, all interest thereon and all other amounts payable to the Bank under this Agreement and all of the other Loan Documents to be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

MISCELLANEOUS

7.1. **Amendments, Etc.** No amendment or waiver of any provision of this Agreement, the Note or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

7.2. **Notices, Etc.** Any notices or other communications provided for hereunder or required or desired to be given in connection herewith shall be valid only if in writing and mailed by registered or certified mail, as follows:

(a) If to the Borrower, addressed to him at

450 Park Avenue
New York, New York 10022

(b) If to the Bank, addressed to it at

One Citicorp Center
153 East 53rd Street
New York, N.Y. 10043
Attention: Stephen J. Papish, Vice President

with a copy to

Mudge Rose Guthrie Alexander & Ferdon
680 Fifth Avenue
New York, New York 10019-5429
Attention: Jeffrey Hirsch, Esq.

or, as to each party, to such other address as shall be designated by such party by notice given in like manner. Each such notice or other communication shall be deemed given on the second day following delivery of same to the United States Post Office registry clerk or the date of mailing, as the case may be.

7.3. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be changed, terminated or otherwise varied except by a writing duly executed by all of the parties.

7.4. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under this Agreement or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law, and may be exercised by the Bank in any order selected by it in its absolute and sole discretion.

7.5. Costs, Expenses and Taxes. The Borrower agrees to pay to the Bank on demand all reasonable costs and expenses of the Bank in connection with the preparation, execution, delivery, administration and enforcement of this Agreement, the other Loan Documents and all other documents to be executed and/or delivered pursuant hereto or thereto, such costs and expenses to include, without limitation, the fees and out-of-pocket expenses of counsel for the Bank. In addition, the Borrower shall pay all appraisal costs, title insurance costs, the cost of title and record searches, any and all stamp and other taxes and transfer, recording, filing and other charges and fees payable or determined to be payable in connection with the execution, delivery, recordation or filing of this Agreement, the other Loan Documents and all other documents to be executed and/or delivered pursuant hereto or thereto including, without limitation, all financing and continuation statements. The Borrower hereby undertake to indemnify and hold harmless the Bank from and against any and all

liabilities, costs or expenses (including attorneys' fees) with respect to or resulting from any delay or failure of payment of any such costs, expenses, taxes or fees.

7.6. Assignment; Benefit and Binding Effect. The Borrower shall not assign his rights or delegate his duties hereunder without the prior written consent of the Bank, and any such purported assignment or delegation without such consent shall be null and void. This Agreement shall be binding upon and inure to the benefit of the Bank, its successors and assigns, and the Borrower and his respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

7.7. Severability. In case any one or more of the provisions contained in this Agreement, the Note or any other Loan Document shall be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

7.8. Power of Attorney. The Borrower hereby irrevocably constitutes and appoints the Bank as his true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and/or deliver any instruments and to do in his name, place and stead, all such acts, things and deeds for and on his behalf and in his name which he could or might do or which the Bank may deem necessary, desirable or convenient to accomplish the purposes of this Agreement and the other Loan Documents. The Borrower hereby ratifies and confirms all that said attorney-in-fact may so do and hereby declares this power of attorney to be coupled with an interest and irrevocable. If the Borrower fails to perform any agreement contained herein or in any other Loan Document, the Bank may itself perform or cause performance thereof, and any expenses of the Bank incurred in connection therewith shall be paid by the Borrower as provided in Section 7.5 hereof.

7.9. Consent to Jurisdiction; Service of Process. The Borrower hereby agrees that any suit, action or proceeding with respect to this Agreement, the Note, any other Loan Document, any amendment or replacements hereof and thereof, and any transactions relating hereto and thereto may be brought in the state courts of, or the Federal courts in, the State of New York, and the Borrower hereby irrevocably consents and submits to the jurisdiction of such courts for the purpose of any such suit, action or proceeding. The Borrower agrees that service of process on him in any such suit, action or proceeding may be made by registered or certified mail, postage prepaid, addressed to him at the address specified in Section 7.2 hereof, and the Borrower hereby waives trial by jury in any such suit, action or proceeding. The Borrower hereby waives, and agrees not to assert against the Bank (or any assignee thereof), by way of

motion, as a defense, or otherwise, in any such suit, action or proceeding (a) any claim that he is not personally subject to the jurisdiction of the above-named courts or that his property is exempt or immune from set-offs, execution or attachment, either prior to judgment or in aid of execution, or (b) to the extent permitted by applicable law, any claim that (i) such suit, action or proceeding is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, or (iii) this Agreement, the Note, any other Loan Document, or any amendments or replacements hereof or thereof may not be enforced in or by such courts.

7.10. **Captions.** All captions in this Agreement are included herein for convenience or reference only and shall not constitute part of this Agreement for any other purpose.

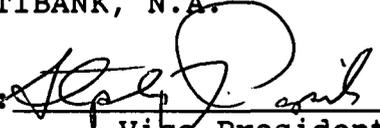
7.11. **Governing Law.** This Agreement and the other Loan Documents shall be governed by and construed in accordance with applicable Federal and New York State laws, statutes and regulations. In the event of any conflict between any provision of this Agreement or any other Loan Document and any applicable Federal or New York State law or regulation, such law, statute, or regulation shall control to the extent of such conflict, such provision of this Agreement or any other Loan Document shall be without effect, and all other provisions of this Agreement and the other Loan Documents will remain fully effective and enforceable.

7.12. **Term.** The term of this Agreement shall commence on the date hereof and shall terminate on the date on which all of the Obligations are indefeasibly paid and performed in full.

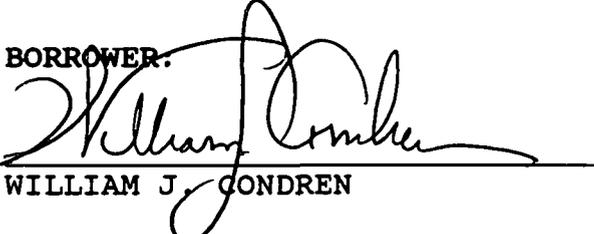
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BANK:

CITIBANK, N.A.

By:  _____
Vice President

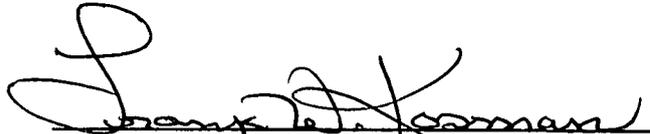
BORROWER:

 _____
WILLIAM J. CONDREN

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On the 23rd day of July, 1987, before me personally came WILLIAM J. CONDREN, to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

[Notary Seal]



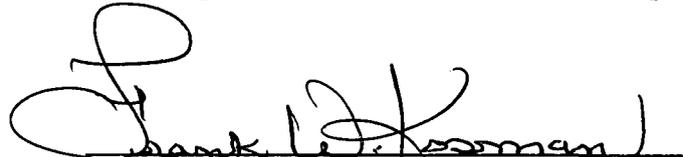
Notary Public

FRANK W. KOSMAN
Notary Public, State of New York
No. 31-2182725
Qualified in New York County
Commission Expires May 31, 1989

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On this 23rd day of July, 1987, before me personally came Stephen Papish, to me known, who, being by me duly sworn, did depose and say that he resides at 629 Fairway, Natick, MA, that he is a Vice President of Citibank, N.A., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the By-Laws of said corporation; and that he signed his name pursuant to like authority.

[Notary Seal]



Notary Public

FRANK W. KOSMAN
Notary Public, State of New York
No. 31-2182725
Qualified in New York County
Commission Expires May 31, 1989

**Exhibit A to
Loan Agreement**

Note

July 23, 1987
New York, New York

\$4,950,000

WILLIAM J. CONDREN (the "Borrower"), for value received, hereby promises to pay on March 18, 1993 to the order of CITIBANK, N.A. (the "Bank") the principal sum of Four Million Nine Hundred Fifty Thousand Dollars (\$4,950,000) or, if less, the total outstanding principal amount hereof, together with interest on the principal amount hereof outstanding from time to time at the rate or rates per annum and at the times set forth in the Loan, Security and Consolidation Agreement (the "Loan Agreement") dated as of July 1, 1987, between the Borrower and the Bank. Both the principal hereof and the interest hereon are payable in immediately available funds at the office of the Bank, One Citicorp Center, 153 East 53rd Street, New York, New York 10043, in such coin or currency of the United States of America as at the time of such payment is legal tender for the payment of public and private debts.

The Bank is hereby authorized to endorse the date and amount of each Advance made by the Bank under the Loan Agreement, and each payment or prepayment of principal made by or for the account of the Borrower with respect thereto on the Schedule annexed hereto and constituting a part of this Note. The principal amount of this Note, on the date hereof, includes the principal sum of \$2,200,000 presently owed by the Borrower to the Bank, and which indebtedness is hereby consolidated with the principal amount of all Advances made or to be made by the Bank pursuant to the Loan Agreement, in the aggregate principal amount at any one time outstanding not to exceed \$4,950,000.

This Note is referred to in, and is entitled to the benefits of, the Loan Agreement which, among other things, contains provisions (i) for optional and mandatory prepayment, and for acceleration of the maturity hereof upon the happening of certain stated events, (ii) for the payment, monthly, commencing on the respective dates specified in the Loan Agreement, of principal and interest on this Note from Aircraft Lease Revenues and Flatcar Lease Revenues and, commencing March 18, 1989, for the payment, annually, if such Revenues are insufficient, of up to the Installment Amount, and (iii) for the securing of the payment of principal of and interest on this Note. All terms used in the Loan Agreement are used herein with the same meanings set forth in the Loan Agreement.

Without limiting the generality of the foregoing, this Note, among other things, is secured by, and is entitled to the benefit of, a real estate mortgage on certain Premises located in Nassau and in Suffolk Counties, State of New York, as more particularly described in that certain Mortgage and Modification, Spreader, Consolidation and Extension Agreement dated as of July 23, 1987 by and among William J. Condren and Murray Compound Lot 10 Corporation, as Mortgagors, and Citibank, N.A., as Mortgagee.

The Borrower hereby waives presentment, demand, protest or further notice of any kind.

This Note is governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Borrower has duly signed and delivered this Note, as of the date first above written.

WILLIAM J. CONDREN

Schedule to Promissory Note
of William J. Condren
dated July 23, 1987

Advances and Payment of Principal

<u>Date</u>	<u>Amount of Advance Made This Date</u>	<u>Amount of Principal Paid This Date</u>	<u>Balance of Loan Remaining Unpaid</u>	<u>Notation Made By</u>
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AIRCRAFT LEASE ASSIGNMENT

AIRCRAFT LEASE ASSIGNMENT dated as of July 23, 1987 (this "Aircraft Lease Assignment") by WILLIAM J. CONDREN, with an address and place of business at 450 Park Avenue, New York, New York 10022 (the "Lessor") to Citibank, N.A. (the "Bank"), with an office at One Citicorp Center, 153 East 53rd Street, New York, New York 10043.

W I T N E S S E T H:

WHEREAS, the Lessor and IAL Leasing, Ltd., an English corporation, with an address of 4/16 Deptford Bridge, London, England SE8 4JS, as lessee (the "Lessee") have executed and delivered an Aircraft Lease Agreement dated as of April 1, 1987 (the "Aircraft Lease") pursuant to which the Lessor leased to the Lessee, and the Lessee leased from the Lessor, the Aircraft and Engines (together, the "Aircraft") described in Exhibit A to the Aircraft Lease for the term therein provided; and

WHEREAS, the Aircraft and Aircraft Lease have been duly registered or recorded with the appropriate Government Entity or Entities in Spain in accordance with applicable law and having Spanish aircraft registration number EC-ECU; and

WHEREAS, in order to induce the Bank to enter into a Loan, Security and Consolidation Agreement dated as of July 1, 1987 (the "Loan Agreement") pursuant to which the Bank has agreed, subject to the terms and conditions therein set forth, (i) to make additional loans or advances ("Advances") to the Lessor in an aggregate principal amount of up to \$2,750,000 and (ii) to consolidate such Advances with the presently outstanding indebtedness of the Lessor to the Bank in the principal amount of \$2,200,000, into a single loan (the "Loan") in the maximum principal amount of \$4,950,000 evidenced by the Lessor's Note (the "Note"), as more particularly described in the Loan Agreement, the Lessor desires to assign its rights in and to the Aircraft Lease and all payments due and to become due thereunder to the Bank;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Lessor, for the benefit of the Bank and its permitted successors and assigns, hereby agrees and confirms as follows:

SECTION 1. Security Assignment.

As security for the due and punctual payment by the Lessor of the principal of and interest on the Loan in accordance with the terms of the Note and the Loan Agreement and the performance and observance by the Lessor of all of the other covenants and agreements

made by the Lessor in the Loan Agreement, the Lessor hereby assigns to the Bank, and confirms that the Lessor has granted to the Bank a security interest in, and does hereby confirm such grant to the Bank of, all of the Lessor's right, title and interest in and to the Aircraft Lease, together with all renewals of the Aircraft Lease executed or in effect from time to time and all payments due and to become due thereunder to the Lessor, including, without limitation, all payments of rent, all insurance proceeds (other than public liability insurance proceeds) and all other amounts due and to become due thereunder.

SECTION 2. Lessee's Acknowledgment.

In order to evidence the Lessee's consent to this Aircraft Lease Assignment, the Lessor shall deliver to the Bank an Acknowledgment of Notice of Assignment in substantially the form of Exhibit C to the Loan Agreement, duly authorized, executed and delivered by the Lessee and by International Air Leases, Inc., as guarantor with respect to the Lease.

SECTION 3. Miscellaneous.

(a) Except as otherwise defined herein, all capitalized terms used in this Aircraft Lease Assignment shall have the meanings given or referred to in the Aircraft Lease, a true, complete and correct copy of which has heretofore been delivered to the Bank.

(b) The terms of this Aircraft Lease Assignment shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed or acknowledged by the Bank.

(c) The agreements of the Lessor contained in this Aircraft Lease Assignment shall inure to the benefit of the Bank and its permitted successors and assigns.

IN WITNESS WHEREOF, the Lessor has executed this Aircraft Lease Assignment as of the date first set forth above.

WILLIAM J. CONDREN

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

, 1987

Citibank, N.A.
153 East 53rd Street
New York, New York 10043

Attention: Private Banking and Investment

Mr. William J. Condren
450 Park Avenue
New York, New York 10022

The Aircraft Lease Agreement (the "Lease") dated as of April 1, 1987 between IAL Leasing Ltd., as lessee (the "Lessee") and William J. Condren, as lessor (the "Lessor"), providing for the lease to the Lessee of One (1) McDonnell Douglas DC 9-32 Aircraft, Manufacturer's Serial No. 47201,

Gentlemen:

Under the terms and conditions of the captioned Lease, the Lessee is obligated to remit to the Lessor on a monthly basis during the term of the Lease payments covering the Rent due and to become due under the Lease and the Airframe Reserve Rate for each flight hour, as more particularly described in the Lease and Appendices B and D thereto.

The undersigned hereby acknowledges that the Lease and all sums due and to become due to the Lessor thereunder have been assigned by the Lessor to Citibank, N.A. (the "Bank") in order to secure the payment under a certain Loan, Security and Consolidation Agreement, dated as of July 1, 1987, between the Bank and the Lessor, of certain indebtedness of the Lessor to the Bank in the aggregate principal amount at any one time outstanding not to exceed \$4,950,000. Until notified to the contrary by the Bank, the undersigned Lessee agrees to pay all rentals and other sums due or to become due under the Lease in immediately available funds in United States dollars directly to the Bank by wire transfer marked for credit to Account No. _____ at its address set forth above. The Lessee agrees that, until notified to the contrary by the Bank, the

Bank, as assignee of the Lease, shall have the right to exercise the rights, privileges and remedies (either in its own name or in the name of the Lessor) for the use and benefit of the Bank which, by the terms of the Lease or by applicable law, are permitted or provided to be exercised by the Lessor.

The Lessee hereby acknowledges that the Lessee will make the above-mentioned rent payments directly to the Bank; that the Lease is in full force and effect; that the Lessee will continue to pay the rent as provided in the Lease; that there are no liens or judgments, suits or proceedings, pending or threatened, against the Lessee which would adversely affect its ability to make payments under the Lease; that no approval, consent or withholding of objection is required from any governmental authority with respect to the performance by the Lessee under the Lease; that the rental payments to be made to the Bank are not subject to any defense, setoff or counterclaim, including recoupment against or other diminution of any amount payable to the Bank; that the Bank shall enjoy all of the Lessor's rights and privileges under the Lease; that the Bank, by reason of this assignment, shall not be required to perform any of the duties, obligations or other functions of the Lessor under the Lease; that no defaults exist on the part of the Lessee in the performance of its obligations under the Lease; that the Lessee has not made with respect to the Lessor, nor intends to make with respect to the Bank any claims, offsets, demands or defenses of any kind, nature or description with reference to any of the Lessor's obligations under the Lease.

The Lessee agrees that its obligations under the Lease being assigned for the benefit of the Bank shall be performed and all amounts payable to the Lessor thereunder shall be paid by the Lessee to the Bank in any event despite any interference with the quiet enjoyment of the Aircraft by the Lessor or any other party, provided, however, that the Bank shall not interfere with such quiet enjoyment as long as no Event of Default has occurred under the Lease. The Lessee further agrees that its indemnification pursuant to Article 10 of the Lease shall hold harmless the Bank in all events with the same force and effect as though the Bank were named therein as an Indemnified Party.

The Lessee covenants and agrees that it will at all times while the Lease is in effect, at its own expense, cause to be carried and maintained property and public liability insurance in such amounts and against such risks and with such insurers as required by Article 11 of the Lease. All such property insurance policies and public liability policies shall provide that the Lessor, the Bank and the Lessee shall be named insureds. The Lessee shall require its insurance broker to give thirty (30) days prior written notice to the Lessor and the Bank prior to any cancellation, reduction or material change to the policies required hereunder.

All policies of insurance shall provide that the same shall not be cancelled or materially changed without at least thirty (30) days prior written notice to each insured named therein. The Lessee covenants and agrees that it will throughout the term hereof furnish, upon request, to the Lessor and the Bank certificates of insurers of other satisfactory evidence of the maintenance of the required insurance.

Very truly yours

IAL LEASING, LTD.

By: _____

Title: _____

Date: _____

CONSENTED AND AGREED TO:

INTERNATIONAL AIR LEASES,
INC.,
as guarantor with respect to
the captioned Lease.

By: _____

Title: _____

Date: _____

FLATCAR LEASE ASSIGNMENT

FLATCAR LEASE ASSIGNMENT dated as of _____, 1987 (this "Flatcar Lease Assignment") by WILLIAM J. CONDREN, with an address and place of business at 450 Park Avenue, New York, New York 10022 (the "Lessor") to Citibank, N.A. (the "Bank"), with an office at One Citicorp Center, 153 East 53rd Street, New York, New York 10043.

W I T N E S S E T H:

WHEREAS, the Lessor and _____, a _____ corporation, with an address at _____, as lessee (the "Lessee") have executed and delivered a Flatcar Lease Agreement dated as of _____, 1987 (the "Flatcar Lease") pursuant to which the Lessor leased to the Lessee, and the Lessee leased from the Lessor, 100 73-foot Center Beam flatcars manufactured by Thrall Car Manufacturing Company, bearing Manufacturer's Serial Nos. _____ to _____, inclusive (together, the "Flatcars") described in Exhibit A to the Flatcar Lease, for the term therein provided; and

WHEREAS, the Flatcar Lease has been duly registered or recorded with the Interstate Commerce Commission and the appropriate recording offices in Canada in accordance with applicable law; and

WHEREAS, in order to induce the Bank to enter into a Loan, Security and Consolidation Agreement dated as of July 1, 1987 (the "Loan Agreement") pursuant to which the Bank has agreed, subject to the terms and conditions therein set forth, (i) to make additional loans or advances ("Advances") to the Lessor in an aggregate principal amount of up to \$2,750,000 and (ii) to consolidate such Advances with the presently outstanding indebtedness of the Lessor to the Bank in the principal amount of \$2,200,000, into a single loan (the "Loan") in the maximum principal amount of \$4,950,000 evidenced by the Lessor's Note (the "Note"), as more particularly described in the Loan Agreement, the Lessor desires to assign its rights in and to all payments due and to become due under the Flatcar Lease to the Bank;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Lessor, for the benefit of the Bank and its permitted successors and assigns, hereby agrees and confirms as follows:

SECTION 1. Security Assignment.

As security for the due and punctual payment by the Lessor of the principal of and interest on the Loan in accordance with the terms of the Note and the Loan Agreement and the performance and observance by the Lessor of all of the other covenants and agreements made by the Lessor in the Loan Agreement, the Lessor hereby assigns to the Bank, and confirms that the Lessor has granted to the Bank a security interest in, and does hereby confirm such grant to the Bank of, all of the Lessor's right, title and interest in and to all payments due and to become due to the Lessor under the Flatcar Lease (as the same may be renewed or extended and in effect from time to time), including, without limitation, all payments of rent, all insurance proceeds (other than public liability insurance proceeds) and all other amounts due and to become due thereunder.

SECTION 2. Lessee's Acknowledgment.

In order to evidence the Lessee's consent to this Flatcar Lease Assignment, the Lessor shall deliver to the Bank an Acknowledgment of Notice of Assignment in substantially the form of Exhibit E to the Loan Agreement, duly authorized, executed and delivered by the Lessee [and by any guarantor of payment and performance of such lease].

SECTION 3. Miscellaneous.

(a) Except as otherwise defined herein, all capitalized terms used in this Flatcar Lease Assignment shall have the meanings given or referred to in the Flatcar Lease, a true, complete and correct copy of which has heretofore been delivered to the Bank.

(b) The terms of this Flatcar Lease Assignment shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed or acknowledged by the Bank.

(c) The agreements of the Lessor contained in this Flatcar Lease Assignment shall inure to the benefit of the Bank and its permitted successors and assigns.

IN WITNESS WHEREOF, the Lessor has executed this Flatcar Lease Assignment as of the date first set forth above.

WILLIAM J. CONDREN

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

Citibank, N.A.
153 East 53rd Street
New York, New York 10043

Attention: Private Banking and Investment

Mr. William J. Condren
450 Park Avenue
New York, New York 10022

The Flatcar Lease Agreement (the "Lease") dated as of _____, 1987 between _____, as lessee (the "Lessee") and William J. Condren, as lessor (the "Lessor"), providing for the lease to the Lessee of 100 73-foot Center Beam flatcars manufactured by Thrall Car Manufacturing Company

Gentlemen:

Under the terms and conditions of the captioned Lease, the Lessee is obligated to remit to the Lessor on a monthly basis during the term of the Lease payments covering the Rent and other amounts due and to become due under the Lease, as more particularly described therein.

The undersigned hereby acknowledges that all sums due and to become due to the Lessor under the Lease have been assigned by the Lessor to Citibank, N.A. (the "Bank") in order to secure the payment under a certain Loan, Security and Consolidation Agreement, dated as of July 1, 1987, between the Bank and the Lessor, of certain indebtedness of the Lessor to the Bank in the aggregate principal amount at any one time outstanding not to exceed \$4,950,000. Until notified to the contrary by the Bank, the undersigned Lessee agrees to pay all rentals and other sums due or to become due under the Lease in immediately available funds in United States dollars directly to the Bank by wire transfer marked for credit to Account No. _____ at its address set forth above.

The Lessee hereby acknowledges that the Lessee will make the above-mentioned rent payments directly to the Bank; that the Lease is in full force and effect; that the Lessee will continue to pay the rent as provided in the Lease; that there are no liens or

judgments, suits or proceedings, pending or threatened, against the Lessee which would adversely affect its ability to make payments under the Lease; that no approval, consent or withholding of objection is required from any governmental authority with respect to the performance by the Lessee under the Lease; that the rental payments to be made to the Bank are not subject to any defense, setoff or counterclaim, including recoupment against or other diminution of any amount payable to the Bank; that the Bank, by reason of this assignment, shall not be required to perform any of the duties, obligations or other functions of the Lessor under the Lease; that no defaults exist on the part of the Lessee in the performance of its obligations under the Lease; that the Lessee has not made with respect to the Lessor, nor intends to make with respect to the Bank any claims, offsets, demands or defenses of any kind, nature or description with reference to any of the Lessor's obligations under the Lease.

The Lessee agrees that its obligations under the Lease shall be performed and all amounts payable to the Lessor thereunder shall be paid by the Lessee to the Bank in any event despite any interference with the quiet enjoyment of the Flatcars by the Lessor or any other party, provided, however, that the Bank shall not interfere with such quiet enjoyment as long as no Event of Default has occurred under the Lease. The Lessee further agrees that its indemnification pursuant to Article _____ of the Lease shall hold harmless the Bank in all events with the same force and effect as though the Bank were named therein as an Indemnified Party.

The Lessee covenants and agrees that it will at all times while the Lease is in effect, at its own expense, cause to be carried and maintained property and public liability insurance in such amounts and against such risks and with such insurers as required by Article _____ of the Lease. All such property insurance policies and public liability policies shall provide that the Lessor, the Bank and the Lessee shall be named insureds. The Lessee shall require its insurance broker to give thirty (30) days prior written notice to the Lessor and the Bank prior to any cancellation, reduction or material change to the policies required hereunder.

All policies of insurance shall provide that the same shall not be cancelled or materially changed without at least thirty (30) days prior written notice to each insured named therein. The Lessee

covenants and agrees that it will throughout the term hereof furnish, upon request, to the Lessor and the Bank certificates of insurers of other satisfactory evidence of the maintenance of the required insurance.

Very truly yours

[Name of Lessee]

By: _____

Title: _____

Date: _____

CONSENTED AND AGREED TO:

[Name of Guarantor of Lease,
if any],
as guarantor with respect to
the captioned Lease

By: _____

Title: _____

Date: _____

ASSIGNMENT OF PARTNERSHIP INTEREST

ASSIGNMENT OF PARTNERSHIP INTEREST dated as of July __, 1987 (this "Assignment of Partnership Interest") by WILLIAM J. CONDREN, with an address and place of business at 450 Park Avenue, New York, New York 10022 (the "Assignor") to Citibank, N.A. (the "Bank"), with an office at One Citicorp Center, 153 East 53rd Street, New York, New York 10043.

W I T N E S S E T H:

WHEREAS, the Assignor is a general partner of Third Avenue and Ninetieth Street Associates, a New York limited partnership (the "Partnership"); and

WHEREAS, the Assignor, as a general partner of the Partnership, is entitled to receive certain distributions and payments with respect to his general partnership interest; and

WHEREAS, in order to induce the Bank to enter into a Loan, Security and Consolidation Agreement dated as of July 1, 1987 (the "Loan Agreement") pursuant to which the Bank has agreed, subject to the terms and conditions therein set forth, (i) to make additional loans or advances ("Advances") to the Assignor in an aggregate principal amount of up to \$2,750,000 and (ii) to consolidate such Advances with the presently outstanding indebtedness of the Assignor to the Bank in the principal amount of \$2,200,000, into a single loan (the "Loan") in the maximum principal amount of \$4,950,000 evidenced by the Assignor's Note (the "Note"), as more particularly described in the Loan Agreement, the Assignor desires to assign its rights in and to all payments due and to become due from the Partnership up to and including the sum of \$1,500,000 to the Bank;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Assignor, for the benefit of the Bank and its permitted successors and assigns, hereby agrees and confirms as follows:

SECTION 1. Security Assignment.

As security for the due and punctual payment by the Assignor of the principal of and interest on the Loan in accordance with the terms of the Note and the Loan Agreement and the performance and observance by the Assignor of all of the other covenants and agreements made by the Assignor in the Loan Agreement, the Assignor hereby assigns to the Bank, and confirms that the Assignor has granted to the Bank a security interest in, and does hereby confirm such grant to the Bank of, all of the Assignor's right, title and interest in and to all distributions and payments of whatever kind

due and to become due to the Assignor from the Partnership up to and including the sum of \$1,500,000, including, without limitation, all payments in liquidation, partial liquidation, or otherwise and all other amounts due and to become due with respect thereto subject, however, to the provisions of Paragraph 12(b) of the Limited Partnership Agreement dated as of September 21, 1979 among the Assignor, as general partner, and the limited partners named therein.

SECTION 2. Partnership Acknowledgment.

In order to evidence the Partnership's consent to this Assignment of Partnership Interest, the Assignor shall deliver to the Bank an Acknowledgment of Notice of Assignment in substantially the form of Exhibit G to the Loan Agreement, duly authorized, executed and delivered by a general partner of the Partnership.

SECTION 3. Miscellaneous.

(a) Except as otherwise defined herein, all capitalized terms used in this Assignment of Partnership Interest shall have the meanings given or referred to in the Loan Agreement.

(b) The terms of this Assignment of Partnership Interest shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed or acknowledged by the Bank.

(c) The agreements of the Assignor contained in this Assignment of Partnership Interest shall inure to the benefit of the Bank and its permitted successors and assigns.

IN WITNESS WHEREOF, the Assignor has executed this Assignment of Partnership Interest as of the date first set forth above.

WILLIAM J. CONDREN

STATE OF NEW YORK)
) :ss:
COUNTY OF NEW YORK)

On the _____ day of _____, 1987, before me personally came William J. Condren, to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

[Notary Seal]

Notary Public

ACKNOWLEDGEMENT OF NOTICE OF ASSIGNMENT

_____, 1987

Citibank, N.A.
153 East 53rd Street
New York, New York 10043

Attention: Private Banking and Investment

Mr. William J. Condren
450 Park Avenue
New York, New York 10022

The Partnership Interest of William J. Condren
(the "Assignor") in Third Avenue and Ninetieth
Street Associates, a New York Limited
Partnership (the "Partnership")

Gentlemen:

Under the terms and conditions of the Limited Partnership Agreement dated as of September 21, 1979 among the Assignor, as general partner, and the limited partners named therein (the "Partnership Agreement") pertaining to the Partnership, the Partnership is obligated to remit to the Assignor amounts due and to become due under the Partnership Agreement, as more particularly described therein.

The undersigned Partnership hereby acknowledges that all sums due and to become due to the Assignor under the Partnership Agreement up to and including the sum of \$1,500,000.00 have been assigned by the Assignor to Citibank, N.A. (the "Bank") in order to secure the payment under a certain Loan, Security and Consolidation Agreement, dated as of July 1, 1987, between the Bank and the Assignor, of certain indebtedness of the Assignor to the Bank in the aggregate principal amount at any one time outstanding not to exceed \$4,950,000. Until notified to the contrary by the Bank, the undersigned Partnership agrees to pay all sums due or to become due under the Partnership Agreement in immediately available funds in United States dollars directly to the Bank by wire transfer marked for credit to Account No. _____ at its address set forth above.

The undersigned Partnership hereby acknowledges that the Partnership will make the above-mentioned payments directly to the Bank; that the Partnership Agreement is in full force and effect; that there are no liens or judgments, suits or proceedings, pending or threatened, against the Partnership which would adversely affect its ability to make payments to the Assignor under the Partnership Agreement; that no approval, consent or withholding of objection is required from any governmental authority with respect to the remittance by the Partnership of amounts due and to become due under the Partnership Agreement; that the payments to be made to the Bank are not subject to any defense, setoff or counterclaim, including recoupment against or other diminution of any amount payable to the Bank; that the Bank, by reason of this assignment, shall not be required to perform any of the duties, obligations or other functions of the Assignor under the Partnership Agreement; that the assignment by the Assignor shall at all times be and remain subject to Section 12(b) of the Partnership Agreement, that the Partnership has not made with respect to the Assignor, nor intends to make with respect to the Bank, any claims, offsets, demands or defenses of any kind, nature or description with reference to any of the Assignor's obligations under the Partnership Agreement.

Very truly yours,

William J. Condren

By: _____

Title: General Partner

Date: _____

Exhibit H to
Loan Agreement

FORM OF SECURITY AGREEMENT

Exhibit I to
Loan Agreement

TAX LIENS

The following liens for non-payment of taxes have been recorded against the real and personal property of the Condrens;

- (1) In New York County, \$26,257.41 with respect to New York State taxes due and payable in 1983.
- (2) In New York County, \$10,482.75 with respect to New York State taxes due and payable in 1981.