(3)

2-301A039 New No.

No. OCT 28 1982 $50.00 13826

Date RECORDATION NO. Filed 1425

Fee $ 50.00 OCT 28 1982-3 00 PM

ICC Washington, D. C. INTERSTATE COMMERCE COMMISSION

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Ms. Mergenovich:

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and seven counterparts of a Security Agreement dated as of September 30, 1982. This Security Agreement is a primary document.

A general description of the locomotives and railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties to the Security Agreement are as follows:

Debtor: First Security Bank of Utah,
National Association and
Robert S. Clark, as trustees
under Lone Star Steel Company
Trust No. 82-1
79 South Main Street
Salt Lake City, Utah 84111
Attention: Trust Division - Corporate
Trust Department

Secured Party: State of Wisconsin Investment Board
201 East Washington Avenue
P.O. Box 7842
Madison, Wisconsin 53707
Attention: Investment Director -
Private Placements

The undersigned is the Debtor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and five copies of the Security Agreement to Robert Nash, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of $50.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index is as follows:

FEE & PERATION BR. RECEIVED OCT 28 2 55 PM 1982 I.C.C.

Security Agreement between First Security Bank of Utah, National Association and Robert S. Clark, as Trustees, under Lone Star Steel Company Trust No. 82-1, as Debtor, 79 South Main Street, Salt Lake City, Utah 84111, and State of Wisconsin Investment Board, as Secured Party, 201 East Washington Avenue, P.O. Box 7842, Madison, Wisconsin 53707 covering 5 locomotives and 118 railroad cars.

Very truly yours,

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, as
trustee under Lone Star Steel
Company Trust No. 82-1

By Randy R Merchant
Its ASSISTANT TRUST OFFICER
DEBTOR AS AFORESAID

Enclosures

DESCRIPTION OF EQUIPMENT

Group C

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Terex 33-05B Hauler	Lone Star	C	68341	$ 150,900	Lone Star, Tx	See Schedule B attached hereto
Rebuilt Super-switcher (3)	T&N Railroad	C	TN55/56/57	1,070,000	Lone Star, Tx	
Renner RHP60 Straddle Crane	Lone Star	C	60RHP024	220,200	Lone Star, Tx	
New 1800HP Locomotive	T&N Railroad	C	TN996	740,000	Lone Star, Tx	
New Slug Locomotive	T&N Railroad	C	TN3	248,000	Lone Star, Tx	
	Total Lessor's Cost			$2,429,100		

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Group D

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Rebuilt 70 Ton Hoppers (68)	T&N Railroad	D	TN5020 through TN5087, both inclusive	$2,176,000	n/a	See Schedule B attached hereto
Rebuilt 100 Ton Gondolas (10)	T&N Railroad	D	TN8013 through TN8022, both inclusive	370,000	n/a	
Rebuilt 70 Ton Hoppers (40)	T&N Railroad	D	TN5088 through TN5127, both inclusive	1,360,000	n/a	
Ford Fire Apparatus	Lone Star	D	DYD80V8B VJ17283	85,000	Lone Star, Tx	
Total Lessor's Cost				$3,991,000		

SCHEDULE A

Interstate Commerce Commission

Washington, D.C. 20423

10/28/82

OFFICE OF THE SECRETARY

Robert Nash
Chapman & Cutler
111 West Monroe Street
Chicago, Illinois 60603

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 10/28/82 at 3:00pm , and assigned re-recordation number(s). 13826

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

Document Parts

RECORDATION NO. 13826 Filed 1425

OCT 28 1982-3 00 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of September 30, 1982

From

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and ROBERT S. CLARK,
as trustees under Lone Star Steel Company Trust No. 82-1

DEBTOR

To

STATE OF WISCONSIN INVESTMENT BOARD

SECURED PARTY

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Attachments to Security Agreement:

Schedule 1 - Amortization Schedules
Schedule 2 - Description of Equipment
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Exhibit A-2 - Form of Secured Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of September 30, 1982 (the "Security Agreement") is from FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between them and AMERICAN FINANCE GROUP, INC., a Massachusetts corporation (the "Trustor"), with Debtor's post office address being 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Division - Corporate Trust Department, to STATE OF WISCONSIN INVESTMENT BOARD (the "Secured Party"), whose post office address is 201 East Washington Avenue, P.O. Box 7842, Madison, Wisconsin 53707, Attention: Investment Director - Private Placements.

R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of September 30, 1982 (the "Participation Agreement") with Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), Trustor, Unionmutual Stock Life Insurance Co. of America (referred to collectively with the Secured Party as the "Note Purchasers") providing for the commitment of the Secured Party to purchase on the date therein provided:

(i) the 14.25% Secured Notes due 1983-1993 (the "Series C Notes") of the Debtor in the aggregate principal amount of $2,069,631.71, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty (40) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993;

(ii) and the 14.25% Secured Notes due 1983-1995 (the "Series D Notes") of the Debtor in the aggregate principal amount of $3,359,501.07, to bear interest

at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty-eight (48) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, April 3 and January 3 thereafter to and including January 3, 1995;

and to be otherwise substantially in the form attached hereto as Exhibit A-1 (herein called the "Registered Notes") or Exhibit A-2 (herein called the "Order Notes"), as appropriate. The Series C Notes and the Series D Notes are hereinafter collectively referred to as the "Notes".

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, and 1.2 hereof, subject always to those limitations set forth in Section 1.3 hereof and to Excepted Rights in Collateral

as defined in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the items of equipment described in Schedule 2 attached hereto and made a part hereof (collectively, the "Equipment" and, individually, an "Item" or "Item of Equipment") constituting Equipment leased and delivered under the Lease Agreement dated as of September 30, 30, 1982, together with all supplements and amendments thereto (the "Lease") between the Debtor, as lessor, and Lone Star Steel Company, a Texas corporation (the "Lessee"), as lessee, together with all accessories, equipment, parts, appurtenances and other equipment from time to time belonging to, or owned by, the Debtor (and not owned by the Lessee pursuant to the terms of the Lease) and appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease insofar as it relates but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D (the "Assigned Lease Supplements") and of the Debtor as assignee of the Lessee in, to and under Sublease Agreement No. 1 dated as of September 30, 1982, together with all supplements and amendments thereto ("Sublease No. 1") between the Lessee, as sublessor, and Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), as sublessee insofar as it relates, but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D to Sublease No. 1 (the "Assigned Sublease Supplements"), including all extensions of the term of the Lease and of Sublease No. 1, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease and of the Debtor as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, including, without limitation:

(a) the immediate and continuing right to receive and collect all interim and periodic rental, casualty value payments, termination value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Debtor, as lessor under the Lease or by the Debtor, as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, except those sums reserved as Excepted Rights in Collateral under Section 1.5 hereof;

(b) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or Sublease No. 1 or any provision of either thereof in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements; and

(c) the right to take such action upon the occurrence of an Event of Default under the Lease or Sublease No. 1, or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or Sublease No. 1, as the case may be, or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease or Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and Assigned Sublease Supplements;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.5 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all interim and periodic rental, casualty value and termination value payments and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged. The Secured Party agrees that all rights of the Secured Party in the Lease and Sublease No. 1 shall be limited to those rights relating to the Equipment described in the Assigned Lease Supplements and the Assigned Sublease Supplements, and that as set forth in Section 14 of the Lease and Section 14 of Sublease No. 1, the Lease and Sublease No. 1 shall be deemed to be separate and severable contracts with respect to each Lease Supplement, and Sublease No. 1 Supplement and any reference to the Lease or Sublease No. 1 herein shall be deemed to refer only to the Secured Party's rights with respect to the Assigned Lease Supplements and Assigned Sublease Supplements.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, (b) the right, title and interest of the Sublessee in and to the Equipment under Sublease No. 1 so long as no Event of Default,

or any event with which the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, (c) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, and (d) liens and charges permitted by Section 10 of the Lease and Section 10 of Sublease No. 1 (collectively "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise this Security Agreement shall remain in full force and effect.

1.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 5 and 6 of the Lease or Section 5 and 6 of Sublease No. 1 or repayments or interest thereon which by the terms of any of such sections of the Lease or Sublease No. 1, as the case may be, are payable to or for the benefit of the Debtor for its own account or the Trustor for its own account;

(b) all rights of the Debtor under the Lease or Sublease No. 1 or in law to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Sublessee due the Debtor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 16 of the Lease or in Section 16 of Sublease No. 1 except those contained in Section 16(b)(i) of each thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 7 of the Lease or by the Sublessee pursuant to Section 7 of Sublease No. 1 which by the terms of such policies or the terms of the Lease or

Sublease No. 1, as the case may be, are payable directly to or for the benefit of the Debtor for its own account or the Trustor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of its covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of its covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement), and no implied obligations or covenants on the part of the Debtor shall be read into this Security Agreement or any other of the Operative Agreements.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor, excepting only the lien of this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral arising by, through or under the Debtor not related to or connected with the ownership of the Equipment or any transaction pursuant to the Operative Agreements. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in

the rents and other sums due and to become due under the Lease and Sublease No. 1, the Debtor covenants and agrees that it will notify the Lessee and the Sublessee of the assignment hereunder and direct the Lessee and the Sublessee to make all payments of such rents and other sums due and to become due under the Lease and Sublease No. 1 other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct in writing.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor and which is not owned by the Lessee pursuant to the terms of the Lease shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease, all supplements thereto, Sublease No. 1 and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be required by law or requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel, this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or Sublease No. 1 (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or by Sublease No. 1 or any part thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any rental payment or any other sum under the Lease or Sublease No. 1 prior

to the date for payment thereof provided for by the Lease or Sublease No. 1, as the case may be, or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease or Sublease No. 1 in respect of the Equipment; or

(c) except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease and Sublease No. 1. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned to the Secured Party under Sections 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or Sublease No. 1 if the Debtor has actual knowledge of such event or condition.

2.9. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder, it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance

of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease, by the Sublessee under and subject to Sublease No. 1 and by any other person upon the terms and conditions permitted by the Lease or Sublease No. 1 shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Section 16 of the Lease or of Sublease No. 1 has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 13 of the Lease and of Sublease No. 1 upon receipt from the Lessee and the Sublessee of written notice designating the Item of Equipment in respect of which the Lease and Sublease No. 1 will terminate and the receipt from the Lessee or the Sublessee, as the case may be, of all sums payable for such Item of Equipment in compliance with Section 13 of the Lease and Sublease No. 1.

3.3. Release of Property upon Payment. So long as no Event of Default or no event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing hereunder to the knowledge of the Secured Party, the Secured Party shall, upon receipt of all principal and interest due for any Note as shall be in effect on such date, release those Items of Equipment then subject hereto which were financed with the proceeds of such Note. Following payment of all indebtedness hereby secured the Secured Party will upon the request of the Debtor, give written notice to the Lessee that the Secured Party's security interest hereunder has been terminated.

3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease and Sublease No. 1 in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee and the Sublessee under the Lease and Sublease No. 1 of the installments of interim or periodic rental under the Lease or Sublease No. 1 relating to the Equipment shall be applied first to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of interim or periodic rental which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee and the Sublessee of the casualty value or the termination value of any Item of Equipment pursuant to Section 13 of the Lease and Sublease No. 1 shall be applied by the Secured Party as follows:

(i) First, to the payment of any amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to subparagraph (b)(iii);

(ii) Second, in the event that such amounts constitute the termination value of an Item of Equipment pursuant to Section 13(e) of the Lease and Sublease No. 1, a premium equal to the applicable percentage of the principal amount of the Notes then to be prepaid as set forth below:

Series C Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	103.00%
1990	102.25%
1991	101.50%
1992	100.75%
1993	100.00%

Series D Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	105.00%
1990	104.00%
1991	103.00%
1992	102.00%
1993	101.00%
1994 and thereafter	100.00%

(iii) Third, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes of the series issued to finance a portion of the Lessor's Cost of such Item, so that each of the remaining installments of each Note of such series shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes of such series immediately prior to the prepayment; and

(iv) Fourth, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Lessor's Cost (as defined in the Participation Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Lessor's Cost of all Items of Equipment, as the case may be, then subject to the Lease and Sublease No. 1 and financed with the proceeds of the related series of Notes (including the Lessor's Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes of the related Series immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b)).

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee and the Sublessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Lessee and the Sublessee to reimburse the Lessee and the Sublessee, as the case may be, for expenditures made for such repair upon receipt by the Secured Party of (A) a written application signed by the President, the Treasurer or any Vice President of the Lessee and of the Sublessee for the payment of, or to reimburse the Lessee and the Sublessee, as the case may be, for the payment of, the costs of repairs and replacement parts (which application shall be accompanied by satisfactory evidence of such costs and evidence of such title to such replacement parts in the Debtor and a statement either that such repairs have been completed or that the proceeds will be used for such purpose and that such repairs will be completed within 180 days, or within such extended period as the Debtor and the Secured Party may approve or the proceeds not so used will be returned and that there is no Event of Default or event with which the lapse of time or giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1 which has occured and is continuing), and (B) a supplement hereto sufficient, as shown by an opinion of counsel satisfactory to the Secured Party, to grant a security interest in any additions to or substitutions for the Equipment or any part thereof to the Secured Party free and clear of all liens, claims and encumbrances, which opinion shall also cover the filing and/or recording of such supplement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(ii) If the insurance proceeds shall not have been released to the Lessee and the Sublessee pursuant to the preceding paragraph (i) within

180 days from the receipt thereof by the Secured Party, or if within such period the Lessee and the Sublessee shall have notified the Secured Party in writing that the Lease and Sublease No. 1 is to be terminated in respect of such Item of Equipment in accordance with the provisions of Section 13 of the Lease and Sublease No. 1, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (a) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

4.2. Multiple Notes. If more than one Note of a series is outstanding at the time any such application is made, such application shall be made on all outstanding Notes of such series ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.3 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

4.4. Prepayments. Except to the extent provided for in this Section 4 of this Agreement, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity dates thereof.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise; provided that any

such failure shall not constitute an Event of Default hereunder if (y) payment is made within five days after notice from the Debtor, the Trustor or the Secured Party and (z) any such failure does not in aggregate amount constitute the third such failure or the second consecutive such failure to pay pursuant to this Section 5.1(a);

(b) An Event of Default (as defined in the Lease and as defined in Sublease No. 1) shall have occurred and be continuing under the Lease or Sublease No. 1;

(c) Default on the part of the Debtor or the Trustor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor or the Trustor under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for 30 days after the earlier of (y) written notice thereof from the Secured Party to the Debtor and the Trustor and (z) the date on which a "responsible officer" of the debtor or the Trustor (as hereinafter defined) shall have actual knowledge thereof; or

(d) Any representation or warranty on the part of the Debtor or the Trustor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease, Sublease No. 1 or the Participation Agreement, or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee or the Sublessee is obligated to discharge under Section 10 of the Lease or Sublease No. 1) shall be asserted against or levied or imposed upon the Collateral which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed or bonded in a manner satisfactory to the Secured Party in its sole discretion within 30 days after written notice from the Secured Party or the holder of any Note to the Debtor, the Trustor, the Lessee and the Sublessee demanding such discharge or removal thereof or bonding with respect thereto.

For purposes of this Section 5.1 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Debtor any corporate trust officer of the Debtor, who in the normal performance of his operational responsibilities would have knowledge of such matter and the requirements of this Security Agreement with respect thereto.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party by notice in writing to the Debtor declares the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor, the Lessee and the Sublessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any

place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease or under Sublease No. 1, as the case may be, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

5.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation, appraisement or marshalling of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any;

and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

SECTION 6. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holders of the Notes and

their respective successors and assigns that this Security Agreement is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such trustees, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by First Security Bank of Utah, National Association or Robert S. Clark, or for the purpose or with the intention of binding First Security Bank of Utah, National Association or Robert S. Clark, personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Security Agreement is executed and delivered by First Security Bank of Utah, National Association and Robert S. Clark, solely in the exercise of the powers expressly conferred upon First Security Bank of Utah, National Association and Robert S. Clark, as trustees under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on First Security Bank of Utah, National Association or Robert S. Clark, personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association or Robert S. Clark, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as First Security Bank of Utah, National Association and Robert S. Clark, personally are concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; provided, however, that except as herein provided nothing contained in this Section 6 shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 hereof, and, provided, further, that nothing contained in this Section 6 shall be construed to limit the liability of First Security Bank of Utah, National Association, in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of this Security Agreement or to limit the liability of First Security Bank of Utah, National Association, for gross negligence or willful misconduct.

SECTION 7. MISCELLANEOUS.

7.1. Execution. The Notes shall be signed on behalf of the Debtor by any officer of the Debtor who, at the date

of the actual execution thereof, shall be a proper officer to execute the same.

7.2. Payment of the Notes. (a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds, in the case of the original Secured Party or any affiliate of the original Secured Party as provided in Schedule 2 of the Participation Agreement or as such Secured Party or affiliate shall otherwise designate, and in the case of any other holder of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor, the Lessee and the Sublessee from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 7.3 in the case of any holder of Registered Notes and at such address as such holder has furnished in writing to the Debtor, the Lessee and the Sublessee in the case of any holder of Order Notes. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Note agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

(b) All amounts constituting payment of the installments of rental under the Lease or Sublease No. 1 or Casualty Value or Termination Value pursuant to Section 13 of the Lease or Sublease No. 1 received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Registered Notes (herein called the "Register"). The names and addresses of the holders of the Registered Notes, the transfers of such Notes and the names and addresses of the transferees of all such Notes shall be registered in the Register.

7.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery. Each holder of an Order Note, by its acceptance thereof, agrees that if such holder shall sell or transfer such Note, such holder will notify the Debtor, the Lessee and the Sublessee of the name and address of the transferee, and such holder will prior to the delivery of such Note, make a notation on such Note of the date

to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof.

(b) The holder of any Registered Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Registered Note or Registered Notes in denominations not less than $100,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Registered Note or Registered Notes to such transferee; provided that if the then aggregate outstanding principal amount of the Registered Notes being transferred is less than $100,000, the denomination of such new Note or Notes may be in such lesser amount.

(c) The holder of any Order Note or any Registered Note may surrender such Note at the principal corporate trust office of the Debtor, accompanied by a written request for a new Note or Notes, either in the form of Registered Notes or in the form of Order Notes, or partly one and partly the other, in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of $100,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Order Note or Notes or Registered Note or Notes, as the case may be, in the denomination or denominations so requested and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(d) Any Note presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(f) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be reasonably required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party or any affiliate of the Secured Party, or a nominee thereof is the owner of any such lost, stolen or destroyed Note, then the affidavit of the President, Vice President, Treasurer or Assistant Treasurer of the Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of the Secured Party to indemnify the Debtor for any claims or action against it (and for its attorney's fees in connection therewith) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5. The New Notes.

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on

any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require from the person holding or to hold the same the payment of a sum to reimburse the Debtor for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor shall prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment.

7.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Owner. Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery, but the Debtor shall not be bound to recognize any person as the holder of an Order Note unless and until title thereto has been satisfactorily established. The person in whose name any Registered Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest

on such Registered Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Registered Note as the owner thereof without production of such Note.

7.8. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

7.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Debtor:	First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 79 South Main Street Salt Lake City, Utah 84111 Attention: Trust Division - Corporate Trust Department
If to the Secured Party:	Name, Address and Payment Instructions for Secured Party shall be as set forth in Schedule 2 to the Participation Agreement.
If to any holder of Notes:	At its address for notices set forth in the Register in the case of any holder of Registered Notes and at the address furnished to the Debtor in the case of any holder of Order Notes.

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

7.11. Release. The Secured Party shall surrender the Notes, marked cancelled, and shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been paid or discharged.

7.12. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois;

7.13. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.14. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and
ROBERT S. CLARK, as trustees
under Lone Star Steel Company
Trust No. 82-1

By _____
Its _____

_____(L.S.)
ROBERT S. CLARK, as trustee under
Lone Star Steel Company Trust No. 82-1

DEBTOR

STATE OF WISCONSIN INVESTMENT BOARD

By Kenneth E Coblin
Its _____

KENNETH E. CODLIN, EXECUTIVE DIRECTOR
STATE OF WISCONSIN INVESTMENT BOARD

SECURED PARTY

State of Wisconsin
County of Dane ss:

Personally came before me this 27th day of October 1982 Kenneth E. Codlin, Executive Director of the State of Wisconsin Investment Board, to me personally known, who by me being duly sworn, says that he is the Executive Director of the State of Wisconsin Investment Board; that said instrument was signed and sealed on behalf of said independent agency by authority of Wisconsin Statutes section 25.16(6); and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Board.

George W. Crownhart
Notary Public
State of Wisconsin
My commission is permanent

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES C NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	16553.78	24541.67	41095.45
1	April 3, 1983	8282.00	35035.27	43317.27
2	July 3, 1983	8577.04	34740.23	43317.27
3	October 3, 1983	8882.60	34434.67	43317.27
4	January 3, 1984	9199.04	34118.23	43317.27
5	April 3, 1984	9526.76	33790.51	43317.27
6	July 3, 1984	9866.15	33451.12	43317.27
7	October 3, 1984	10217.63	33099.64	43317.27
8	January 3, 1985	10581.63	32735.64	43317.27
9	April 3, 1985	10958.60	32358.67	43317.27
10	July 3, 1985	11349.00	31968.27	43317.27
11	October 3, 1985	11753.31	31563.96	43317.27
12	January 3, 1986	12172.02	31145.25	43317.27
13	April 3, 1986	12605.65	30711.62	43317.27
14	July 3, 1986	13054.73	30262.54	43317.27
15	October 3, 1986	13519.80	29797.47	43317.27
16	January 3, 1987	14001.45	29315.82	43317.27
17	April 3, 1987	14500.25	28817.02	43317.27
18	July 3, 1987	15016.82	28300.45	43317.27
19	October 3, 1987	15551.79	27765.48	43317.27
20	January 3, 1988	16105.83	27211.44	43317.27
21	April 3, 1988	26270.97	26637.67	52908.64
22	July 3, 1988	27206.87	25701.77	52908.64
23	October 3, 1988	28176.11	24732.53	52908.64
24	January 3, 1989	29179.89	23728.75	52908.64
25	April 3, 1989	30219.42	22689.22	52908.64
26	July 3, 1989	31295.99	21612.65	52908.64
27	October 3, 1989	32410.91	20497.73	52908.64
28	January 3, 1990	33565.55	19343.09	52908.64
29	April 3, 1990	34761.32	18147.32	52908.64
30	July 3, 1990	35999.69	16908.95	52908.64
31	October 3, 1990	37282.18	15626.46	52908.64
32	January 3, 1991	38610.36	14298.28	52908.64
33	April 3, 1991	39985.85	12922.79	52908.64
34	July 3, 1991	41410.35	11498.29	52908.64
35	October 3, 1991	42885.59	10023.05	52908.64
36	January 3, 1992	44413.39	8495.25	52908.64
37	April 3, 1992	45995.62	6913.02	52908.64
38	July 3, 1992	47634.21	5274.43	52908.64
39	October 3, 1992	49331.18	3577.46	52908.64
40	January 3, 1993	51088.67	1820.03	52908.70
		1000000.00	965613.71	1965613.71

SCHEDULE 1
(to Security Agreement)

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES D NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	17054.02	24541.67	41598.69
1	April 3, 1983	5321.40	35017.45	40338.85
2	July 3, 1983	5510.87	34827.88	40338.85
3	October 3, 1983	5707.30	34631.55	40338.85
4	January 3, 1984	5910.62	34428.23	40338.85
5	April 3, 1984	6121.19	34217.66	40338.85
6	July 3, 1984	6339.26	33999.59	40338.85
7	October 3, 1984	6565.09	33773.76	40338.85
8	January 3, 1985	6798.97	33539.88	40338.85
9	April 3, 1985	7041.19	33297.66	40338.85
10	July 3, 1985	7292.03	33046.82	40338.85
11	October 3, 1985	7551.81	32787.04	40338.85
12	January 3, 1986	7820.84	32518.01	40338.85
13	April 3, 1986	8099.46	32239.39	40338.85
14	July 3, 1986	8388.00	31950.85	40338.85
15	October 3, 1986	8686.82	31652.03	40338.85
16	January 3, 1987	8996.29	31342.56	40338.85
17	April 3, 1987	9316.78	31022.07	40338.85
18	July 3, 1987	9648.70	30690.15	40338.85
19	October 3, 1987	9992.43	30346.42	40338.85
20	January 3, 1988	10348.41	29990.44	40338.85
21	April 3, 1988	10717.07	29621.78	40338.85
22	July 3, 1988	11098.87	29239.98	40338.85
23	October 3, 1988	11494.27	28844.58	40338.85
24	January 3, 1989	11903.75	28435.10	40338.85
25	April 3, 1989	21274.45	28011.03	49285.48
26	July 3, 1989	22032.35	27253.13	49285.48
27	October 3, 1989	22817.26	26468.22	49285.48
28	January 3, 1990	23630.12	25655.34	49285.48
29	April 3, 1990	24471.94	24813.54	49285.48
30	July 3, 1990	25343.76	23941.72	49285.48
31	October 3, 1990	26246.63	23038.85	49285.48
32	January 3, 1991	27101.66	22103.82	49285.48
33	April 3, 1991	28150.01	21135.47	49285.48
34	July 3, 1991	29152.85	20132.63	49285.48
35	October 3, 1991	30191.43	19094.05	49285.48
36	January 3, 1992	31266.99	18018.49	49285.48
37	April 3, 1992	32380.88	16904.60	49285.48
38	July 3, 1992	33534.45	15751.03	49285.48
39	October 3, 1992	34729.12	14556.36	49285.48
40	January 3, 1993	35966.34	13319.14	49285.48

SCHEDULE 1
(to Security Agreement)

SERIES D NOTES - (continued)

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
41	April 3, 1993	37247.64	12037.84	49285.48
42	July 3, 1993	38574.59	10710.89	49285.48
43	October 3, 1993	39948.81	9336.67	49285.48
44	January 3, 1994	41371.98	7913.50	49285.48
45	April 3, 1994	42845.86	6439.62	49285.48
46	July 3, 1994	44372.25	4913.23	49285.48
47	October 3, 1994	45953.01	3332.47	49285.48
48	January 3, 1995	47590.08	1695.40	49285.48
		1000000.00	1192579.61	2192579.61

DESCRIPTION OF EQUIPMENT

Group C

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Terex 33-05B Hauler	Lone Star	C	68341	$ 150,900	Lone Star, Tx	See Schedule B attached hereto
Rebuilt Super-switcher (3)	T&N Railroad	C	TN55/56/57	1,070,000	Lone Star, Tx	
Renner RHP60 Straddle Crane	Lone Star	C	60RHP024	220,200	Lone Star, Tx	
New 1800HP Locomotive	T&N Railroad	C	TN996	740,000	Lone Star, Tx	
New Slug Locomotive	T&N Railroad	C	TN3	248,000	Lone Star, Tx	
Total Lessor's Cost				$2,429,100		

SCHEDULE 2
(to Security Agreement)

DESCRIPTION OF EQUIPMENT

Group D

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Rebuilt 70 Tbn Hoppers (68)	T&N Railroad	D	TN5020 through TN5087, both inclusive	$2,176,000	n/a	See Schedule B attached hereto
Rebuilt 100 Tbn Gondolas (10)	T&N Railroad	D	TN8013 through TN8022, both inclusive	370,000	n/a	
Rebuilt 70 Tbn Hoppers (40)	T&N Railroad	D	TN5088 through TN5127, both inclusive	1,360,000	n/a	
Ford Fire Apparatus	Lone Star	D	DYD80V8B VJ17283	85,000	Lone Star, Tx	
Total Lessor's Cost				$3,991,000		

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or registered assigns, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder

hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not

as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____(L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or order, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which

at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein

contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____(L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

First Sec

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RECORDATION NO. ..... Filed 1425

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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of September 30, 1982

From

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and ROBERT S. CLARK,
as trustees under Lone Star Steel Company Trust No. 82-1

DEBTOR

To

STATE OF WISCONSIN INVESTMENT BOARD

SECURED PARTY

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Attachments to Security Agreement:

Schedule 1 - Amortization Schedules
Schedule 2 - Description of Equipment
Exhibit A-1 - Form of Secured Note
Exhibit A-2 - Form of Secured Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of September 30, 1982 (the "Security Agreement") is from FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between them and AMERICAN FINANCE GROUP, INC., a Massachusetts corporation (the "Trustor"), with Debtor's post office address being 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Division - Corporate Trust Department, to STATE OF WISCONSIN INVESTMENT BOARD (the "Secured Party"), whose post office address is 201 East Washington Avenue, P.O. Box 7842, Madison, Wisconsin 53707, Attention: Investment Director - Private Placements.

R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of September 30, 1982 (the "Participation Agreement") with Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), Trustor, Unionmutual Stock Life Insurance Co. of America (referred to collectively with the Secured Party as the "Note Purchasers") providing for the commitment of the Secured Party to purchase on the date therein provided:

(i) the 14.25% Secured Notes due 1983-1993 (the "Series C Notes") of the Debtor in the aggregate principal amount of $2,069,631.71, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty (40) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993;

(ii) and the 14.25% Secured Notes due 1983-1995 (the "Series D Notes") of the Debtor in the aggregate principal amount of $3,359,501.07, to bear interest

at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty-eight (48) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, April 3 and January 3 thereafter to and including January 3, 1995;

and to be otherwise substantially in the form attached hereto as Exhibit A-1 (herein called the "Registered Notes") or Exhibit A-2 (herein called the "Order Notes"), as appropriate. The Series C Notes and the Series D Notes are hereinafter collectively referred to as the "Notes".

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, and 1.2 hereof, subject always to those limitations set forth in Section 1.3 hereof and to Excepted Rights in Collateral

as defined in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the items of equipment described in Schedule 2 attached hereto and made a part hereof (collectively, the "Equipment" and, individually, an "Item" or "Item of Equipment") constituting Equipment leased and delivered under the Lease Agreement dated as of September 30, 30, 1982, together with all supplements and amendments thereto (the "Lease") between the Debtor, as lessor, and Lone Star Steel Company, a Texas corporation (the "Lessee"), as lessee, together with all accessories, equipment, parts, appurtenances and other equipment from time to time belonging to, or owned by, the Debtor (and not owned by the Lessee pursuant to the terms of the Lease) and appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease insofar as it relates but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D (the "Assigned Lease Supplements") and of the Debtor as assignee of the Lessee in, to and under Sublease Agreement No. 1 dated as of September 30, 1982, together with all supplements and amendments thereto ("Sublease No. 1") between the Lessee, as sublessor, and Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), as sublessee insofar as it relates, but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D to Sublease No. 1 (the "Assigned Sublease Supplements"), including all extensions of the term of the Lease and of Sublease No. 1, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease and of the Debtor as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, including, without limitation:

(a) the immediate and continuing right to receive and collect all interim and periodic rental, casualty value payments, termination value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Debtor, as lessor under the Lease or by the Debtor, as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, except those sums reserved as Excepted Rights in Collateral under Section 1.5 hereof;

(b) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or Sublease No. 1 or any provision of either thereof in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements; and

(c) the right to take such action upon the occurrence of an Event of Default under the Lease or Sublease No. 1, or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or Sublease No. 1, as the case may be, or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease or Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and Assigned Sublease Supplements;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.5 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all interim and periodic rental, casualty value and termination value payments and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged. The Secured Party agrees that all rights of the Secured Party in the Lease and Sublease No. 1 shall be limited to those rights relating to the Equipment described in the Assigned Lease Supplements and the Assigned Sublease Supplements, and that as set forth in Section 14 of the Lease and Section 14 of Sublease No. 1, the Lease and Sublease No. 1 shall be deemed to be separate and severable contracts with respect to each Lease Supplement, and Sublease No. 1 Supplement and any reference to the Lease or Sublease No. 1 herein shall be deemed to refer only to the Secured Party's rights with respect to the Assigned Lease Supplements and Assigned Sublease Supplements.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, (b) the right, title and interest of the Sublessee in and to the Equipment under Sublease No. 1 so long as no Event of Default,

or any event with which the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, (c) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, and (d) liens and charges permitted by Section 10 of the Lease and Section 10 of Sublease No. 1 (collectively "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise this Security Agreement shall remain in full force and effect.

1.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 5 and 6 of the Lease or Section 5 and 6 of Sublease No. 1 or repayments or interest thereon which by the terms of any of such sections of the Lease or Sublease No. 1, as the case may be, are payable to or for the benefit of the Debtor for its own account or the Trustor for its own account;

(b) all rights of the Debtor under the Lease or Sublease No. 1 or in law to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Sublessee due the Debtor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 16 of the Lease or in Section 16 of Sublease No. 1 except those contained in Section 16(b)(i) of each thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 7 of the Lease or by the Sublessee pursuant to Section 7 of Sublease No. 1 which by the terms of such policies or the terms of the Lease or

Sublease No. 1, as the case may be, are payable directly to or for the benefit of the Debtor for its own account or the Trustor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of its covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of its covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement), and no implied obligations or covenants on the part of the Debtor shall be read into this Security Agreement or any other of the Operative Agreements.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor, excepting only the lien of this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral arising by, through or under the Debtor not related to or connected with the ownership of the Equipment or any transaction pursuant to the Operative Agreements. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in

the rents and other sums due and to become due under the Lease and Sublease No. 1, the Debtor covenants and agrees that it will notify the Lessee and the Sublessee of the assignment hereunder and direct the Lessee and the Sublessee to make all payments of such rents and other sums due and to become due under the Lease and Sublease No. 1 other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct in writing.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor and which is not owned by the Lessee pursuant to the terms of the Lease shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease, all supplements thereto, Sublease No. 1 and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be required by law or requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel, this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or Sublease No. 1 (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or by Sublease No. 1 or any part thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any rental payment or any other sum under the Lease or Sublease No. 1 prior

to the date for payment thereof provided for by the Lease or Sublease No. 1, as the case may be, or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease or Sublease No. 1 in respect of the Equipment; or

(c) except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease and Sublease No. 1. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned to the Secured Party under Sections 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or Sublease No. 1 if the Debtor has actual knowledge of such event or condition.

2.9. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder, it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance

of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease, by the Sublessee under and subject to Sublease No. 1 and by any other person upon the terms and conditions permitted by the Lease or Sublease No. 1 shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Section 16 of the Lease or of Sublease No. 1 has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 13 of the Lease and of Sublease No. 1 upon receipt from the Lessee and the Sublessee of written notice designating the Item of Equipment in respect of which the Lease and Sublease No. 1 will terminate and the receipt from the Lessee or the Sublessee, as the case may be, of all sums payable for such Item of Equipment in compliance with Section 13 of the Lease and Sublease No. 1.

3.3. Release of Property upon Payment. So long as no Event of Default or no event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing hereunder to the knowledge of the Secured Party, the Secured Party shall, upon receipt of all principal and interest due for any Note as shall be in effect on such date, release those Items of Equipment then subject hereto which were financed with the proceeds of such Note. Following payment of all indebtedness hereby secured the Secured Party will upon the request of the Debtor, give written notice to the Lessee that the Secured Party's security interest hereunder has been terminated.

3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease and Sublease No. 1 in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee and the Sublessee under the Lease and Sublease No. 1 of the installments of interim or periodic rental under the Lease or Sublease No. 1 relating to the Equipment shall be applied first to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of interim or periodic rental which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee and the Sublessee of the casualty value or the termination value of any Item of Equipment pursuant to Section 13 of the Lease and Sublease No. 1 shall be applied by the Secured Party as follows:

(i) First, to the payment of any amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to subparagraph (b)(iii);

(ii) Second, in the event that such amounts constitute the termination value of an Item of Equipment pursuant to Section 13(e) of the Lease and Sublease No. 1, a premium equal to the applicable percentage of the principal amount of the Notes then to be prepaid as set forth below:

Series C Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	103.00%
1990	102.25%
1991	101.50%
1992	100.75%
1993	100.00%

Series D Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	105.00%
1990	104.00%
1991	103.00%
1992	102.00%
1993	101.00%
1994 and thereafter	100.00%

(iii) Third, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes of the series issued to finance a portion of the Lessor's Cost of such Item, so that each of the remaining installments of each Note of such series shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes of such series immediately prior to the prepayment; and

(iv) Fourth, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Lessor's Cost (as defined in the Participation Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Lessor's Cost of all Items of Equipment, as the case may be, then subject to the Lease and Sublease No. 1 and financed with the proceeds of the related series of Notes (including the Lessor's Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes of the related Series immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b)).

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee and the Sublessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Lessee and the Sublessee to reimburse the Lessee and the Sublessee, as the case may be, for expenditures made for such repair upon receipt by the Secured Party of (A) a written application signed by the President, the Treasurer or any Vice President of the Lessee and of the Sublessee for the payment of, or to reimburse the Lessee and the Sublessee, as the case may be, for the payment of, the costs of repairs and replacement parts (which application shall be accompanied by satisfactory evidence of such costs and evidence of such title to such replacement parts in the Debtor and a statement either that such repairs have been completed or that the proceeds will be used for such purpose and that such repairs will be completed within 180 days, or within such extended period as the Debtor and the Secured Party may approve or the proceeds not so used will be returned and that there is no Event of Default or event with which the lapse of time or giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1 which has occured and is continuing), and (B) a supplement hereto sufficient, as shown by an opinion of counsel satisfactory to the Secured Party, to grant a security interest in any additions to or substitutions for the Equipment or any part thereof to the Secured Party free and clear of all liens, claims and encumbrances, which opinion shall also cover the filing and/or recording of such supplement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(ii) If the insurance proceeds shall not have been released to the Lessee and the Sublessee pursuant to the preceding paragraph (i) within

180 days from the receipt thereof by the Secured Party, or if within such period the Lessee and the Sublessee shall have notified the Secured Party in writing that the Lease and Sublease No. 1 is to be terminated in respect of such Item of Equipment in accordance with the provisions of Section 13 of the Lease and Sublease No. 1, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (a) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

4.2. Multiple Notes. If more than one Note of a series is outstanding at the time any such application is made, such application shall be made on all outstanding Notes of such series ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.3 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

4.4. Prepayments. Except to the extent provided for in this Section 4 of this Agreement, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity dates thereof.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise; provided that any

such failure shall not constitute an Event of Default hereunder if (y) payment is made within five days after notice from the Debtor, the Trustor or the Secured Party and (z) any such failure does not in aggregate amount constitute the third such failure or the second consecutive such failure to pay pursuant to this Section 5.1(a);

(b) An Event of Default (as defined in the Lease and as defined in Sublease No. 1) shall have occurred and be continuing under the Lease or Sublease No. 1;

(c) Default on the part of the Debtor or the Trustor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor or the Trustor under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for 30 days after the earlier of (y) written notice thereof from the Secured Party to the Debtor and the Trustor and (z) the date on which a "responsible officer" of the debtor or the Trustor (as hereinafter defined) shall have actual knowledge thereof; or

(d) Any representation or warranty on the part of the Debtor or the Trustor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease, Sublease No. 1 or the Participation Agreement, or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee or the Sublessee is obligated to discharge under Section 10 of the Lease or Sublease No. 1) shall be asserted against or levied or imposed upon the Collateral which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed or bonded in a manner satisfactory to the Secured Party in its sole discretion within 30 days after written notice from the Secured Party or the holder of any Note to the Debtor, the Trustor, the Lessee and the Sublessee demanding such discharge or removal thereof or bonding with respect thereto.

For purposes of this Section 5.1 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Debtor any corporate trust officer of the Debtor, who in the normal performance of his operational responsibilities would have knowledge of such matter and the requirements of this Security Agreement with respect thereto.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party by notice in writing to the Debtor declares the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor, the Lessee and the Sublessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any

place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease or under Sublease No. 1, as the case may be, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

5.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation, appraisement or marshalling of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any;

and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

SECTION 6. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holders of the Notes and

their respective successors and assigns that this Security Agreement is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such trustees, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by First Security Bank of Utah, National Association or Robert S. Clark, or for the purpose or with the intention of binding First Security Bank of Utah, National Association or Robert S. Clark, personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Security Agreement is executed and delivered by First Security Bank of Utah, National Association and Robert S. Clark, solely in the exercise of the powers expressly conferred upon First Security Bank of Utah, National Association and Robert S. Clark, as trustees under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on First Security Bank of Utah, National Association or Robert S. Clark, personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association or Robert S. Clark, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as First Security Bank of Utah, National Association and Robert S. Clark, personally are concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; provided, however, that except as herein provided nothing contained in this Section 6 shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 hereof, and, provided, further, that nothing contained in this Section 6 shall be construed to limit the liability of First Security Bank of Utah, National Association, in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of this Security Agreement or to limit the liability of First Security Bank of Utah, National Association, for gross negligence or willful misconduct.

SECTION 7. MISCELLANEOUS.

7.1. Execution. The Notes shall be signed on behalf of the Debtor by any officer of the Debtor who, at the date

of the actual execution thereof, shall be a proper officer to execute the same.

7.2. Payment of the Notes. (a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds, in the case of the original Secured Party or any affiliate of the original Secured Party as provided in Schedule 2 of the Participation Agreement or as such Secured Party or affiliate shall otherwise designate, and in the case of any other holder of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor, the Lessee and the Sublessee from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 7.3 in the case of any holder of Registered Notes and at such address as such holder has furnished in writing to the Debtor, the Lessee and the Sublessee in the case of any holder of Order Notes. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Note agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

(b) All amounts constituting payment of the installments of rental under the Lease or Sublease No. 1 or Casualty Value or Termination Value pursuant to Section 13 of the Lease or Sublease No. 1 received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Registered Notes (herein called the "Register"). The names and addresses of the holders of the Registered Notes, the transfers of such Notes and the names and addresses of the transferees of all such Notes shall be registered in the Register.

7.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery. Each holder of an Order Note, by its acceptance thereof, agrees that if such holder shall sell or transfer such Note, such holder will notify the Debtor, the Lessee and the Sublessee of the name and address of the transferee, and such holder will prior to the delivery of such Note, make a notation on such Note of the date

to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof.

(b) The holder of any Registered Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Registered Note or Registered Notes in denominations not less than $100,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Registered Note or Registered Notes to such transferee; provided that if the then aggregate outstanding principal amount of the Registered Notes being transferred is less than $100,000, the denomination of such new Note or Notes may be in such lesser amount.

(c) The holder of any Order Note or any Registered Note may surrender such Note at the principal corporate trust office of the Debtor, accompanied by a written request for a new Note or Notes, either in the form of Registered Notes or in the form of Order Notes, or partly one and partly the other, in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of $100,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Order Note or Notes or Registered Note or Notes, as the case may be, in the denomination or denominations so requested and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(d) Any Note presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(f) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be reasonably required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party or any affiliate of the Secured Party, or a nominee thereof is the owner of any such lost, stolen or destroyed Note, then the affidavit of the President, Vice President, Treasurer or Assistant Treasurer of the Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of the Secured Party to indemnify the Debtor for any claims or action against it (and for its attorney's fees in connection therewith) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5. The New Notes.

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on

any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require from the person holding or to hold the same the payment of a sum to reimburse the Debtor for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor shall prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment.

7.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Owner. Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery, but the Debtor shall not be bound to recognize any person as the holder of an Order Note unless and until title thereto has been satisfactorily established. The person in whose name any Registered Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest

on such Registered Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Registered Note as the owner thereof without production of such Note.

7.8. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

7.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Debtor:	First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 79 South Main Street Salt Lake City, Utah 84111 Attention: Trust Division - Corporate Trust Department
If to the Secured Party:	Name, Address and Payment Instructions for Secured Party shall be as set forth in Schedule 2 to the Participation Agreement.
If to any holder of Notes:	At its address for notices set forth in the Register in the case of any holder of Registered Notes and at the address furnished to the Debtor in the case of any holder of Order Notes.

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

7.11. Release. The Secured Party shall surrender the Notes, marked cancelled, and shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been paid or discharged.

7.12. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois;

7.13. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.14. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and
ROBERT S. CLARK, as trustees
under Lone Star Steel Company
Trust No. 82-1

By Randy R Marchant
Its ASSISTANT TRUST OFFICER

(L.S.)
ROBERT S. CLARK, as trustee under
Lone Star Steel Company Trust No. 82-1

DEBTOR

STATE OF WISCONSIN INVESTMENT BOARD

By _____
Its _____

SECURED PARTY

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 29th day of October, 1982, before me personally appeared Randy R. Marchant, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires: 8-13-85

STATE OF UTAH)
) SS
COUNTY SALT LAKE)

On this 29th day of October, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

Notary Public

[NOTARIAL SEAL]

My Commission Expires: 8-13-85

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES C NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	16553.78	24541.67	41095.45
1	April 3, 1983	8282.00	35035.27	43317.27
2	July 3, 1983	8577.04	34740.23	43317.27
3	October 3, 1983	8882.60	34434.67	43317.27
4	January 3, 1984	9199.04	34118.23	43317.27
5	April 3, 1984	9526.76	33790.51	43317.27
6	July 3, 1984	9866.15	33451.12	43317.27
7	October 3, 1984	10217.63	33099.64	43317.27
8	January 3, 1985	10581.63	32735.64	43317.27
9	April 3, 1985	10958.60	32358.67	43317.27
10	July 3, 1985	11349.00	31968.27	43317.27
11	October 3, 1985	11753.31	31563.96	43317.27
12	January 3, 1986	12172.02	31145.25	43317.27
13	April 3, 1986	12605.65	30711.62	43317.27
14	July 3, 1986	13054.73	30262.54	43317.27
15	October 3, 1986	13519.80	29797.47	43317.27
16	January 3, 1987	14001.45	29315.82	43317.27
17	April 3, 1987	14500.25	28817.02	43317.27
18	July 3, 1987	15016.82	28300.45	43317.27
19	October 3, 1987	15551.79	27765.48	43317.27
20	January 3, 1988	16105.83	27211.44	43317.27
21	April 3, 1988	26270.97	26637.67	52908.64
22	July 3, 1988	27206.87	25701.77	52908.64
23	October 3, 1988	28176.11	24732.53	52908.64
24	January 3, 1989	29179.89	23728.75	52908.64
25	April 3, 1989	30219.42	22689.22	52908.64
26	July 3, 1989	31295.99	21612.65	52908.64
27	October 3, 1989	32410.91	20497.73	52908.64
28	January 3, 1990	33565.55	19343.09	52908.64
29	April 3, 1990	34761.32	18147.32	52908.64
30	July 3, 1990	35999.69	16908.95	52908.64
31	October 3, 1990	37282.18	15626.46	52908.64
32	January 3, 1991	38610.36	14298.28	52908.64
33	April 3, 1991	39985.85	12922.79	52908.64
34	July 3, 1991	41410.35	11498.29	52908.64
35	October 3, 1991	42885.59	10023.05	52908.64
36	January 3, 1992	44413.39	8495.25	52908.64
37	April 3, 1992	45995.62	6913.02	52908.64
38	July 3, 1992	47634.21	5274.43	52908.64
39	October 3, 1992	49331.18	3577.46	52908.64
40	January 3, 1993	51088.67	1820.03	52908.70
		1000000.00	965613.71	1965613.71

SCHEDULE 1
(to Security Agreement)

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES D NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	17054.02	24541.67	41598.69
1	April 3, 1983	5321.40	35017.45	40338.85
2	July 3, 1983	5510.87	34827.88	40338.85
3	October 3, 1983	5707.30	34631.55	40338.85
4	January 3, 1984	5910.62	34428.23	40338.85
5	April 3, 1984	6121.19	34217.66	40338.85
6	July 3, 1984	6339.26	33999.59	40338.85
7	October 3, 1984	6565.09	33773.76	40338.85
8	January 3, 1985	6798.97	33539.88	40338.85
9	April 3, 1985	7041.19	33297.66	40338.85
10	July 3, 1985	7292.03	33046.82	40338.85
11	October 3, 1985	7551.81	32787.04	40338.85
12	January 3, 1986	7820.84	32518.01	40338.85
13	April 3, 1986	8099.46	32239.39	40338.85
14	July 3, 1986	8388.00	31950.85	40338.85
15	October 3, 1986	8686.82	31652.03	40338.85
16	January 3, 1987	8996.29	31342.56	40338.85
17	April 3, 1987	9316.78	31022.07	40338.85
18	July 3, 1987	9648.70	30690.15	40338.85
19	October 3, 1987	9992.43	30346.42	40338.85
20	January 3, 1988	10348.41	29990.44	40338.85
21	April 3, 1988	10717.07	29621.78	40338.85
22	July 3, 1988	11098.87	29239.98	40338.85
23	October 3, 1988	11494.27	28844.58	40338.85
24	January 3, 1989	11903.75	28435.10	40338.85
25	April 3, 1989	21274.45	28011.03	49285.48
26	July 3, 1989	22032.35	27253.13	49285.48
27	October 3, 1989	22817.26	26468.22	49285.48
28	January 3, 1990	23630.12	25655.34	49285.48
29	April 3, 1990	24471.94	24813.54	49285.48
30	July 3, 1990	25343.76	23941.72	49285.48
31	October 3, 1990	26246.63	23038.85	49285.48
32	January 3, 1991	27101.66	22103.82	49285.48
33	April 3, 1991	28150.01	21135.47	49285.48
34	July 3, 1991	29152.85	20132.63	49285.48
35	October 3, 1991	30191.43	19094.05	49285.48
36	January 3, 1992	31266.99	18018.49	49285.48
37	April 3, 1992	32380.88	16904.60	49285.48
38	July 3, 1992	33534.45	15751.03	49285.48
39	October 3, 1992	34729.12	14556.36	49285.48
40	January 3, 1993	35966.34	13319.14	49285.48

SCHEDULE 1
(to Security Agreement)

SERIES D NOTES - (continued)

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
41	April 3, 1993	37247.64	12037.84	49285.48
42	July 3, 1993	38574.59	10710.89	49285.48
43	October 3, 1993	39948.81	9336.67	49285.48
44	January 3, 1994	41371.98	7913.50	49285.48
45	April 3, 1994	42845.86	6439.62	49285.48
46	July 3, 1994	44372.25	4913.23	49285.48
47	October 3, 1994	45953.01	3332.47	49285.48
48	January 3, 1995	47590.08	1695.40	49285.48
		1000000.00	1192579.61	2192579.61

DESCRIPTION OF EQUIPMENT

Group C

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Terex 33-05B Hauler	Lone Star	C	68341	$ 150,900	Lone Star, Tx	See Schedule B attached hereto
Rebuilt Super-switcher (3)	T&N Railroad	C	TN55/56/57	1,070,000	Lone Star, Tx	
Renner RHP60 Straddle Crane	Lone Star	C	60RHP024	220,200	Lone Star, Tx	
New 1800HP Locomotive	T&N Railroad	C	TN996	740,000	Lone Star, Tx	
New Slug Locomotive	T&N Railroad	C	TN3	248,000	Lone Star, Tx	
	Total Lessor's Cost			$2,429,100		

SCHEDULE 2
(to Security Agreement)

DESCRIPTION OF EQUIPMENT

Group D

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Rebuilt 70 Ton Hoppers (68)	T&N Railroad	D	TN5020 through TN5087, both inclusive	$2,176,000	n/a	See Schedule B attached hereto
Rebuilt 100 Ton Gondolas (10)	T&N Railroad	D	TN8013 through TN8022, both inclusive	370,000	n/a	
Rebuilt 70 Ton Hoppers (40)	T&N Railroad	D	TN5088 through TN5127, both inclusive	1,360,000	n/a	
Ford Fire Apparatus	Lone Star	D	DYD80V8B VJ17283	85,000	Lone Star, Tx	
Total Lessor's Cost				$3,991,000		

SCHEDULE 2
(to Security Agreement)

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or registered assigns, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder

hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not

as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____ (L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or order, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which

at the time of payment shall be legal tender for the payment of public and private debts.

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Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

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The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein

contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

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By _____

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or registered assigns, the principal sum of

DOLLARS ($)

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and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder

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IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____(L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

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SCHEDULE C

RECORDATION NO. 13824 Filed 1425

OCT 28 1982 3 00 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

Dated as of September 30, 1982

BETWEEN

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION
and ROBERT S. CLARK,
as trustees under Lone Star Steel Company Trust No. 82-1

LESSOR

AND

LONE STAR STEEL COMPANY

LESSEE

(Lone Star Steel Company Trust No. 82-1)

TO THE EXTENT THAT THIS LEASE CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OF THIS LEASE BUT ONLY THROUGH THE TRANSFER AND POSSESSION OF THAT COUNTERPART OF ANY LEASE SUPPLEMENT MARKED "COUNTERPART NO. 1" AND THE SECURITY INTEREST, IF ANY, CREATED THEREBY SHALL ONLY PERTAIN TO SUCH LEASE SUPPLEMENT AND THE ITEM OR ITEMS DESCRIBED THEREIN AND NO OTHER LEASE SUPPLEMENT OR ITEMS.

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ATTACHMENTS TO LEASE AGREEMENT:

EXHIBIT A - Form of Lease Supplement

EXHIBIT B - Schedule of Casualty Value

EXHIBIT C - Schedule of Termination Value

SCHEDULE 1 - Description of Equipment

LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of September 30, 1982 between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under the Trust Agreement referred to in Section 1 hereof (the "Lessor") and LONE STAR STEEL COMPANY, a Texas corporation (the "Lessee").

SECTION 1. DEFINITIONS

The following terms shall, unless the context otherwise requires, have the following meanings for all purposes of this Lease:

"Acquisition Agreement" shall mean the Acquisition Agreement dated as of September 30, 1982 between the Lessor, the Lessee and the other Sellers named therein, as the same may from time to time be supplemented or amended in accordance with its terms.

"Casualty Occurrence" with respect to any Item of Equipment shall mean any of the following events with respect to such Item of Equipment: (i) the total loss of such property; (ii) such Item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever; or (iii) the condemnation, confiscation, or seizure of, or requisition of title to or use of such Item, by an act of the United States government or any state or local authority or any instrumentality or agency of any thereof which requisition continues for more than one year (it being understood that a requisition of use for an indefinite period shall be deemed to extend beyond one year only if such requisition does in fact extend beyond one year).

"Casualty Value" of an Item of Equipment as of the Periodic Rent Commencement Date or any Periodic Rent Payment Date shall mean the amount determined in accordance with Exhibit B hereto.

"Default" shall mean any event which would constitute an Event of Default if any or all requirements in connection therewith for the giving of notice, the lapse of time and the happening of any further condition, event or act had been satisfied.

"Equipment" or "Items" shall mean all of the Group A, Group B, Group C and Group D Items of Equipment, together with any and all accessories, appliances, equipment, parts and appurtenances, whether now owned or hereafter acquired from time to time incorporated or installed therein or thereon. "Item" or "Item of Equipment" shall mean any individual Group A, Group B, Group C or Group D Item of Equipment. "Group A Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of six (6) years. "Group B Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement

and having a Lease Term of seven and one-half (7-1/2) years, "Group C Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of ten (10) years and "Group D Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of twelve (12) years.

"Event of Default" shall mean any of the Events of Default referred to in Section 16 hereof.

"Indemnitee" shall mean each of the following persons or entities: the Lessor (individually and in their fiduciary capacities), the Trustor, the Secured Parties and any other from time to time holder of the Notes and the Trust Estate, and their respective successors, assigns, agents and servants.

"Institutional Investor" shall mean (i) any bank, savings institution, trust company or national banking association acting for its on account, (ii) any finance company, (iii) any insurance company or fraternal benefit society, (iv) any pension, retirement or profit sharing trust or fund, or (v) any corporation all of whose capital stock are owned by any of the foregoing.

"Interchange Rules" shall mean the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads, as the same or any successor rules or regulations may be in effect from time to time.

"Interim Rent" shall mean, for any one Item, the aggregate Interim Rent payable for such Item pursuant to Section 3(a) hereof, and for all Items of Equipment, the aggregate of all such Interim Rent payable for such Items.

"Lease Supplement" shall mean any Lease Supplement, substantially in the form of Exhibit A hereto, entered into between the Lessor and the Lessee, pursuant to Section 2(b) hereof. Each reference herein to "this Lease", "herein", "hereunder" or other like words shall include this Lease and each Lease Supplement.

"Lease Term" shall mean the term of this Lease specified in Section 4 hereof.

"Lessor" shall mean First Security Bank of Utah, National Association, and Robert S. Clark, as trustees under the Trust Agreement, and their respective successors and assigns under the Trust Agreement, including any transferee or transferees of all or any part of their right, title and interest in and to the Trust Estate.

"Lessor's Cost" shall mean, for any one Item, the Lessor's Cost of such Item set forth in the Lease Supplement covering such Item, and for all Items of Equipment, the aggregate Lessor's Cost of the Equipment set forth in all of the Lease Supplements.

"Manufacturers" shall mean all persons furnishing materials or services in respect of the manufacture, construction, delivery, erection, assembly, installation, inspection or testing of the Items.

"Notes" shall mean the Notes issued and outstanding under the Participation Agreement and the Security Agreements, together with any substitutions or replacements of any thereof.

"Participation Agreement" shall mean the Participation Agreement dated as of September 30, 1982 among the Lessor, the Sublessee, the Trustor and the Secured Parties as the same may from time to time be supplemented or amended in accordance with its terms.

"Periodic Rent" shall mean for any one Item, the aggregate Rent payable for such Item pursuant to Section 3(b) hereof, and for all Items, the aggregate of all such Rent payable for such Item.

"Periodic Rent Commencement Date" shall mean January 3, 1983.

"Periodic Rent Payment Dates" shall mean April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995.

"Permitted Encumbrances" shall mean with respect to each Item, but only to the extent applicable to such Item: (i) any liens thereon: (x) for taxes, assessments, levies, fees and other governmental and similar charges, (y) of mechanics, laborers, materialmen and suppliers for work or service performed or materials furnished in connection with the Item, which in any such case are not due and payable or the amount or validity of which are being contested in good faith by appropriate legal proceedings which will not result in the forfeiture or sale of the Item or adversely affect the Lessor's title thereto or either Secured Party's security interest therein or interfere with the due payment by the Lessee to either Secured Party, the Lessor or the Trustor of any Rent or the due application by either Secured Party of any such Rent pursuant to a Security Agreement, (ii) any liens thereon arising out of judgments or awards against the Lessee with respect to which at the time an appeal or proceeding for review is being diligently prosecuted in good faith and a stay of execution pending such appeal or proceeding for review has been obtained, (iii) restrictions and other minor defects, encumbrances and irregularities in the ownership of the Item which do not materially impair the use thereof or materially and adversely affect the value thereof, (iv) rights reserved to or vested in any governmental or public authority to condemn or appropriate the Item or control or regulate the Item or to use the Item in any manner, which rights do not materially impair the use of the Item or materially and adversely affect the value thereof, (v) the security interests granted by the Security Agreements to the Secured Parties, and (vi) the leasehold interest of the Lessee hereunder and the leasehold interest of the Sublessee under Sublease Agreement No. 1

and the leasehold interest of the Lessee under, and of any sublessee permitted by the terms of, Sublease No. 2.

"Rent" shall mean Interim Rent, Periodic Rent and Supplemental Rent.

"Security Agreements" shall mean the separate Security Agreements each dated as of September 30, 1982 from the Lessor, as debtor, to each Secured Party, respectively, as secured party, as either thereof may from time to time be supplemented, amended, replaced or substituted for (whether or not either thereof is replaced or substituted for by one or more Security Agreements) in accordance with their respective terms.

"Secured Party" shall mean either State of Wisconsin Investment Board or Unionmutual Stock Life Insurance Co. of America, as secured party under the Security Agreements and "Secured Parties" shall mean both State of Wisconsin Investment Board and Unionmutual Stock Life Insurance Co. of America, and in either such case their respective successors and assigns under the Security Agreements and any other from time to time holders of the Notes.

"Sublessee" shall mean Philadelphia and Reading Corporation, a New York corporation, and its successors and assigns under Sublease Agreement No. 1.

"Sublease Agreement No. 1" shall mean the Sublease Agreement No. 1 dated as of September 30, 1982 between the Lessee, as sublessor, and the Sublessee, as sublessee, as the same may from time to time be supplemented (whether by lease supplements or otherwise) or amended in accordance with its terms.

"Sublease Agreement No. 2" shall mean the Sublease Agreement No. 2 dated as of September 30, 1982 between the Sublessee, as sublessor and the Lessee, as sublessee, as the same may from time to time be supplemented (whether by lease supplements or otherwise) or amended in accordance with its terms.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Interim Rent and Periodic Rent) which the Lessee assumes or agrees to pay hereunder to the Lessor or others, including without limitation, payments of the Casualty Value and Termination Value pursuant to Section 13 hereof.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement dated as of September 30, 1982 between the Trustor and the Sublessee.

"Termination Value" of an Item of Equipment as of any Periodic Rent Payment Date shall mean the amount determined in accordance with Exhibit C hereto.

"Trust Agreement" shall mean the Trust Agreement dated as of September 30, 1982 between the Lessor, as trustees thereunder, and the Trustor, as the same may from time to time be supplemented, amended, replaced, or substituted for (whether or not replaced or substituted for by one or more Trust Agreements) in accordance with its terms.

"Trustor" shall mean American Finance Group, Inc., a Massachusetts corporation, and its successors and assigns under the Trust Agreement, including any successors or assigns under any Trust Agreement.

"Trust Estate" shall have the meaning assigned thereto in the Trust Agreement and shall include any part or portion thereof constituting a Trust Estate under any other Trust Agreement.

SECTION 2. LEASE AND DELIVERY OF EQUIPMENT.

(a) Lease of Equipment. The Lessor hereby agrees (subject to satisfaction of the conditions set forth in the Acquisition Agreement) to accept delivery from the Lessee under the Acquisition Agreement and simultaneously to lease to the Lessee hereunder, and the Lessee hereby agrees to lease from the Lessor hereunder, the Items of Equipment which shall be delivered by the Lessee and the other Sellers under the Acquisition Agreement, as evidenced by the execution by the Lessor and the Lessee of Lease Supplements relating to such Equipment. The Lessor hereby authorizes one or more persons designated by the Lessee, who shall be an employee or employees of the Lessee, as the authorized representative or representatives of the Lessor, to accept delivery of the Items of Equipment. The Lessee hereby agrees that such acceptance of delivery of the Items of Equipment by such authorized representative or representatives on behalf of the Lessor shall, without further act, irrevocably constitute acceptance by the Lessee of the Items of Equipment for all purposes of this Lease.

(b) Lease Supplements. Promptly after delivery and acceptance of the Items of Equipment hereunder, the Lessee agrees that it will enter into a Lease Supplement or Lease Supplements with the Lessor substantially in the form attached hereto as Exhibit A, which Lease Supplement or Lease Supplements shall: (i) describe the Items of Equipment accepted hereunder, (ii) set forth the Lessor's Cost thereof, the rental rates and Periodic Rent Payment Dates relating thereto and the Lease Term thereof and (iii) shall state and represent that such Equipment is free and clear of all liens or encumbrances except Permitted Encumbrances and that the Lessee has unconditionally accepted the same for purposes of this Lease.

SECTION 3. RENT PAYMENT.

The Lessee agrees to pay the Lessor the following Rents during the Lease Term for the Equipment:

(a) Interim Rent. The Lessee hereby agrees to pay the Lessor Interim Rent for the Items of Equipment in one installment payable on the Periodic Rent Commencement Date and computed as follows:

(i) for the period from and including the date the Lessee accepts each Item of Equipment pursuant to Section 2 hereof, to but not including November 1, 1982, an amount equal to $8,100,000 times the daily equivalent of 11.9% per annum (based on actual days over a 360-day year);

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(ii) for the period from and including November 1, 1982, to but not including the Periodic Rent Commencement Date, an amount equal to the sum of the following respective amounts of the Lessor's Cost of the Items of Equipment times, the following respective interest rates:

Amount of Lessor's Cost		Interim Rent Rate
$1,569,603.35 (constituting 88.0163% of the Lessor's Cost of the Group A Equipment)	x	The daily equivalent of 13.875% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)
$1,199,934.08 (constituting 87.1238% of the Lessor's Cost of the Group B Equipment)	x	The daily equivalent of 13.875% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)
$2,069,631.71 (constituting 85.2016% of the Lessor's Cost of the Group C Equipment)	x	The daily equivalent of 14.25% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)

Amount of Lessor' Cost		Interim Rent Rate
$3,359,501.07 (constituting 84.1769% of the Lessor's Cost of the Group D Equipment)	x	The daily equivalent of 14.25% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)

PLUS

(iii) for the period from and including September 30, 1982 to but not including the Periodic Rent Commencement Date, an amount equal to $1,480,685 times the daily equivalent of 11.9% per annum (based on actual days over a 360-day year).

(b) Periodic Rent. The Lessee hereby agrees to pay the Lessor Periodic Rent for each Item of Equipment as follows:

(i) Group A Equipment. For each Group A Item of Equipment twenty-four (24) consecutive quarterly installments of Periodic Rent, twelve (12) in the amount of 4.9985% of the Lessor's Cost of such Group A Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1986, followed by twelve (12) in the amount of 6.0975% of the Lessor's Cost of such Group A Item of Equipment, payable on April 3, 1986 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1989;

(ii) Group B Equipment. For each Group B Item of Equipment thirty (30) consecutive quarterly installments of Periodic Rent, fifteen (15) in the amount of 4.3333% of the Lessor's Cost of such Group B Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including October 3, 1986, followed by fifteen (15) in the amount of 5.2968% of the Lessor's Cost of such Group B Item of Equipment, payable on January 3, 1987 and each April 3, July 3, October 3 and January 3 thereafter to and including July 3, 1990;

(iii) Group C Equipment. For each Group C Item of Equipment forty (40) consecutive quarterly installments of Periodic Rent, twenty (20) in

the amount of 3.7322% of the Lessor's Cost of such Group C Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1988, followed by twenty (20) in the amount of 4.5493% of the Lessor's Cost of such Group C Item of Equipment, payable on April 3, 1988 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993; and

(iv) Group D Equipment. For each Group D Item of Equipment forty-eight (48) consecutive quarterly installments of Periodic Rent, twenty-four (24) in the amount of 3.4337% of the Lessor's Cost of such Group D Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3, and April 3 thereafter to and including January 3, 1989, followed by twenty-four (24) in the amount of 4.1868% of the Lessor's Cost of such Group D Item of Equipment, payable on April 3, 1989 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995.

(c) Supplemental Rent. The Lessee shall also pay to the Lessor or to whomsoever shall be entitled thereto any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of the Lessee to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Interim Rent or Periodic Rent. The Lessee shall also pay to the Lessor (and, in the case of payments of Supplemental Rent payable to other persons hereunder, such other persons) on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the rate of 14.875% per annum in the case of any such payment of interest relating to any Item of Group A Equipment and Group B Equipment and 15.25% per annum in the case of any such payment of interest relating to any Item of Group C Equipment and the Group D Equipment (in every such case computed on the basis of a 360-day year of twelve 30-day months) on any part of any installment of Interim Rent or Periodic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period until the same shall be paid. The payment or satisfaction of the Lessee's obligation with respect to Interim Rent and Periodic Rent or any installment thereof shall not limit any obligation of the Lessee which may have accrued during the Lease Term with respect to Supplemental Rent.

(d) Place of Payment. All payments of Interim Rent, Periodic Rent, Casualty Value and Termination Value in respect of any Item of Equipment, and in the event a Default or an Event of Default has occurred and is continuing, Supplemental Rent payable to the Lessor or the Trustor, shall be made to the Secured Party which has been assigned the Lease Supplement relating to such Item of Equipment or after receipt by the Lessee of notice from such Secured Party of the release of the Security Agreement relating to such Item of Equipment, to the Lessor. Any payment of Supplemental Rent payable to the Lessor or the Trustor (so long as no Default or Event of Default has occurred and is continuing) and any other payment of Supplemental Rent which by the terms hereof is payable to any other person shall be paid directly to the person entitled to receive the same. Payments under this Lease shall be made to the persons entitled thereto at the address set forth in Section 24(d) hereof, or at such other address as the designated recipient thereof shall request in writing of the Lessee, by wire transfer of funds immediately available in the place of payment thereof.

(e) Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of Rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any Manufacturer or any other person, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in the condition, design, operation or fitness for use of any Item of Equipment, or defect in or failure of title of the Lessor to any Item of Equipment or any defect in or damage to or loss or destruction of all or any part of any Item of Equipment from whatsoever cause, the taking or requisitioning of any Item of Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of any Item of Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rent payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section

13 hereof, or until return of the Equipment pursuant to Section 17 hereof.

Nothing contained in this Lease, including without limitation, this Section 3(e), shall prevent the Lessee from exercising such legal rights and remedies (other than the abatement, reduction, termination or recision of Rent payable by the Lessee hereunder), as it may have against the Lessor or anyone claiming by or through the Lessor for damages suffered by the Lessee as a result of the violation of the warranty to the Lessee of quiet enjoyment contained in Section 12 hereof, it being understood and agreed by the Lessee that any such alleged breach by any such person shall not be imputed to any other person.

SECTION 4. TERM OF THE LEASE.

The Lease Term of this Lease as to the Equipment shall commence concurrently with the delivery and acceptance of the Equipment hereunder and shall terminate, subject to the provisions of Section 13 hereof, on the twenty-fourth (24th) Periodic Rent Payment Date in the case of the Group A Equipment, on the thirtieth (30th) Periodic Rent Payment Date in the case of the Group B Equipment, on the fortieth (40th) Periodic Rent Payment Date in the case of the Group C Equipment and on the forty-eighth (48th) Periodic Rent Payment Date in the case of the Group D Equipment.

SECTION 5. TAXES AND MAINTENANCE.

(a) Taxes. The Lessee agrees to pay, and to indemnify and hold the Indemnitees harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessee or an Indemnitee or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to: any Item of Equipment or any part of any thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Lease, the Acquisition Agreement, any Purchase Agreement, the Participation Agreement or the Security Agreements, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to any Item of Equipment (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of (A) the United States or any state or political subdivision thereof, (B) any foreign country or

subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its worldwide income without regard to the transactions contemplated by this Lease, and (C) any foreign country or subdivision thereof incurred as a result of the Indemnitee being taxed by such foreign country or subdivision with regard to the transactions contemplated by this Lease (but only if and to the extent that such Indemnitee obtains a credit therefor against its United States Federal income taxes), in each case, imposed on or measured solely by the net income, gross income, gross receipts or excess profits of such Indemnitee, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; (ii) any sales or use taxes in the principal place of business of the Trustor (unless any such taxes arise as a result of the use by the Lessee of any Item of Equipment in such jurisdiction), or any Taxes imposed on or measured by any fees or compensation received by an Indemnitee; and (iii) Taxes which are imposed on or measured solely by the net income, gross income or gross receipts of an Indemnitee if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this Section 5(a).

If claim is made against any Indemnitee for any Taxes indemnified against under this Section 5(a), such Indemnitee shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnitee shall, upon receipt of any indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (x) resisting payment thereof if possible, (y) not paying the same except under protest, if protest is necessary and proper, and (z) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the party to be so indemnified; provided that, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the party to be so indemnified in any such proceeding or action) without the prior written consent of such party (which consent shall not be unreasonably withheld). If the party to be so indemnified shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, such party shall, so long as no Default or Event of Default shall have occurred and be continuing, pay the Lessee the amount of such refund or interest net of expenses not previously paid or reimbursed by the Lessee.

(b) Documentary Taxes and Recording Fees. The Lessee agrees to pay all stamp or documentary taxes and recording fees,

Federal, state, county, city, municipal or otherwise, levied or assessed or otherwise payable on, or with respect to the recording of, this transaction, the Lease, any Lease Supplement, the Participation Agreement or the Security Agreements, or any amendment or supplement thereto, or any document whatsoever to which the Lessee is a party which creates or transfers an interest in any Item of Equipment.

(c) Survival of Certain Obligations. Each of the obligations and liabilities of the Lessee under Section 5(a) arising from events occurring during the Lease Term shall continue in full force and effect notwithstanding any termination of this Lease whether by expiration of time, by operation of law or otherwise unless and until expressly released by the party to which such obligation or liability is owing.

SECTION 6. INDEMNITY.

(a) Scope. The Lessee hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless each Indemnitee from and against, any and all losses, damages, injuries, claims, demands and all expenses, legal or otherwise (including court costs and attorneys' fees reasonably incurred), of whatsoever kind and nature (including claims for strict or absolute liability in tort) arising on account of the ownership, use (including infringements of patents by reason of the use or incorporation of any invention in any Item of Equipment), condition (including, without limitation, latent and other defects and whether or not discoverable by the Lessor or the Lessee) or operation of the Equipment, and by whosoever used or operated, during the purchase, delivery, installation, ownership, leasing or disposition of the Equipment and in any event throughout the continuance of this Lease. The Lessee shall not, however, be required to pay or discharge any claim or demand referred to in this Section 6(a) so long as the validity or the amount thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner which will not result in the forfeiture or sale of any Item of Equipment or any part or portion of any thereof or adversely affect the Lessor's title thereto or either Secured Party's security interest therein or interfere with the due payment by the Lessee as provided herein of any Rent hereunder. Each Indemnitee shall give the Lessee prompt notice of any claim or liability hereby indemnified against, and the Lessee shall be entitled to control the defense thereof.

(b) Duration. The indemnities and assumptions of liabilities in Section 6(a) contained shall continue in full force and effect notwithstanding the termination of this Lease, in whole or in part, whether by expiration of time or otherwise, as to any act or omission, relating to the ownership, use, condition or operation (as such terms are used in Section 6(a)), of the Equipment, occurring during the continuance of this Lease

which at any time is claimed to have created a cause of action against any of the Indemnitees, provided, however, the indemnity and assumption of liability against any claims for patent infringements shall continue in full force and effect after the Lease Term throughout the life of the Equipment except as to any alterations or modifications to any Item of Equipment following the disposition thereof by the Lessee. The indemnities and assumptions of liabilities set forth in this Section 6 do not guarantee the payment of the principal of or interest on the Notes or a residual value in any Item of Equipment.

(c) Enforceability. The indemnities contained in this Section 6 are expressly made for the benefit of and shall be enforceable by each Indemnitee. Upon payment in full of the amount required to be paid to any Indemnitee pursuant to this Section 6, the Lessee shall be subrogated to any rights of such Indemnitee in respect of the matter against which the indemnity has been given.

SECTION 7. INSURANCE.

(a) Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured against loss on an "all risk" basis, (i) in an amount which shall be customary for companies owning property of a character similar to the Equipment and engaged in a business similar to that engaged in by the Lessee and not less than (ii) an amount equal to the Casualty Value for such Item of Equipment. Such "all risk" insurance may be subject to deductible or self-insurance provisions in such amounts and to the extent that such deductibles or self-insurance are consistent with prudent industry practice, but in any event with no greater deductible and in at least comparable amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Equipment, provided it is expressly understood and agreed that any loss, cost or expense arising out of use of deductible provisions shall be exclusively the cost and expense of the Lessee. The Lessee shall also maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than $10,000,000 per occurrence combined single limit, subject to deductible or self-insurance provisions in such amounts as are consistent with prudent industry practice, but in any event with no greater deductible and at least comparable in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Equipment, provided it is expressly understood and agreed that any loss, cost or expense arising out of the use of deductible provisions shall be exclusively the cost and expense of the Lessee.

(b) General Provisions. All insurance carried in accordance with this Section 7 shall be placed with insurers of recognized reputation and responsibility. Any policies carried in accordance with this Section 7 covering the Equipment and any policies taken out in substitution or replacement for any such policies: (i) shall name the Lessee as insured and shall name the Trustor, Lessor, as owner of the Equipment, and the Secured Parties, as additional insureds as their interests may appear; (ii) shall be made payable, in the case of policies covering loss or damage to the Equipment, to the Secured Parties, as their interests may appear under a lender's loss payable clause in form and substance acceptable to the Secured Parties, except that such policies may provide that payment for any loss or damage not exceeding $150,000 in the aggregate per occurrence may be paid solely to the Lessee, provided no Default or Event of Default has occurred and is continuing; (iii) shall provide that if such insurance is cancelled or materially changed for any reason whatever, or the same is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Trustor, the Lessor or the Secured Parties for thirty (30) days after receipt by the Trustor, the Lessor and the Secured Parties of written notice by such insurers of such cancellation or lapse or of any material change in policy terms and conditions; (iv) shall provide that losses shall be adjusted with the Lessee, subject to the approval of the Lessor and the Secured Parties (except for losses which are less than $150,000, which may be adjusted by the Lessee without the approval of the Lessor and the Secured Parties); and (v) shall provide that in respect of the interest of the Trustor, the Lessor and the Secured Parties in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than of the Trustor, the Lessor or either Secured Party, as the case may be, and then only as against such person) and shall insure the Trustor, the Lessor and the Secured Parties regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by the Lessee or any other person (other than by the Trustor, the Lessor or either Secured Party, as the case may be, and then only as against such person).

(c) Application of Proceeds. The proceeds of any insurance received by the Lessor or either Secured Party on account of or for any loss or casualty in respect of any Item of Equipment shall be applied as follows: (i) if such Item of Equipment has been repaired, restored or replaced, such proceeds shall be paid to the Lessee upon a written application signed by any authorized officer of the Lessee for the payment of, or to reimburse the Lessee for the payment of, the cost of repairing, restoring or replacing such Item of Equipment so long as the restoration, replacement and repair parts become immediately subject to all of the terms and conditions of this Lease and all public filings, recordings and registrations necessary or expedient to vest title thereto in the Lessor and to perfect the security interest

of such Secured Party in the Equipment are accomplished by the Lessee at its expense (which application shall be accompanied by satisfactory evidence of such cost and of the completion of such repair, restoration or replacement), or (ii) if this Lease is terminated with respect to such Item of Equipment as a result of a Casualty Occurrence, such proceeds shall be applied in accordance with Section 13; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor or such Secured Party hereunder, such proceeds shall be applied against such liability.

(d) Reports, etc. On the date of delivery and acceptance of the Equipment hereunder and on each anniversary date thereof, the Lessee will furnish to the Lessor and the Secured Parties a certificate from the Lessee's insurance broker describing in reasonable detail the insurance then carried and maintained on the Equipment and evidencing that such insurance complies with the terms hereof. The Lessee will advise the Trustor, the Lessor and the Secured Parties in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Lessee which might invalidate or render unenforceable, in whole or in part, any insurance on any Item of Equipment.

SECTION 8. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, in the case of Group C and Group D Equipment the Rules of the United States Department of Transportation, the Interstate Commerce Commission and the Interchange Rules to the extent applicable) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee shall not use or permit any Item of Equipment to be used in an improper or unsafe manner or in violation of any federal, state or local law, statute, ordinance, rule or regulation. The Lessee may, at its expense, in good faith contest the validity or application of any such law, statute, ordinance, rule or regulation in good faith by appropriate proceedings which do not adversely affect the Lessor's title to any Item of Equipment or either Secured Party's security interest therein or subject the Equipment to forfeiture or sale.

SECTION 9. USE AND MAINTENANCE OF EQUIPMENT.

(a) Use and Maintenance. The Lessee shall use the Equipment only in the manner for which it was designed and

intended and so as to subject it only to ordinary wear and tear. So long as the Equipment shall be leased hereunder and until the Equipment is returned to the Lessor in accordance with the provisions of Section 17 hereof, the Lessee shall, at its own cost and expense, maintain and keep the Equipment in the same manner as the Lessee maintains equipment of the same type owned by the Lessee so as to insure that the Equipment is in good order, condition and repair, ordinary wear and tear excepted, and, in the case of Group D Equipment, suitable for use in interchange in accordance with the Interchange Rules. Except as required by the provisions of Section 8 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and the Secured Party having an interest in such Item, which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 8 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

(b) Location of Equipment. The location of the Group A, Group B and Group C Equipment shall be as set forth in the Lease Supplement relating thereto and the Lessee shall not remove any such Item from such location without providing the Lessor and the Secured Party having an interest in such Item with written notice thereof no less than forty-five (45) days prior to such removal and filing or recording all instruments and documents then deemed necessary by the Lessor and such Secured Party to preserve and protect their rights hereunder to the satisfaction of the Lessor and such Secured Party. The Lessee agrees that the Group D Equipment will be used solely within the continental limits of the United States of America.

SECTION 10. LIENS.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, title thereto or any interest therein except Permitted Encumbrances.

SECTION 11. OWNERSHIP AND MARKING.

(a) Ownership. The Lessee acknowledges and agrees that it has not, and by the execution hereof, it does not and will not have or obtain, any title to the Equipment, nor any property right or interest, legal or equitable, therein, except solely as the Lessee hereunder and subject to all the terms hereof.

(b) Identification. The Lessee will, at its own expense and if the Lessor or the Secured Party having an interest in an Item of Equipment shall request in writing, use its best efforts to cause such Item of Equipment to be legibly and permanently marked, in a reasonably prominent location, with a plate or other marking which plate or other marking shall set forth the following legend:

"Leased from a Trust, as Owner, and Subject to a Recorded Security Interest."

with appropriate changes thereof and additions thereto as from time to time may be reasonably requested in writing by the Lessor or such Secured Party or may be required by law in order to protect the title of the Lessor to such Item of Equipment, or such Secured Party's security interest therein and the rights of the Lessor and such Secured Party under this Lease. The Lessee agrees to permanently mark each Item of Equipment which is not identified by a Manufacturer's serial number with the lessee identification number relating to such Item set forth in the Lease Supplement relating to such Item. The Lessee shall not remove or deface, or permit to be removed or defaced, either the identifying manufacturer's serial number of any Item of Equipment or any such plate or other marking or identifying number so placed on any Item of Equipment. In the event of such removal or defacement, the Lessee shall promptly cause such manufacturer's serial number or such plate or other marking or identifying number to be replaced. With respect to the Group D Equipment, the Lessee will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor and the Secured Party having an interest in such Equipment by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

(c) Prohibition Against Certain Designations. Except as above provided, the Lessee will not be required to place any insignia, plates or other identification evidencing the Lessor's interest on any Item of Equipment and will not allow the name of any person, association or corporation to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee, the Sublessee or any sublessee permitted by the terms of Sublease No. 2 may cause the Equipment to be lettered in any appropriate

manner for convenience of identification of the Lessee, the Sublessee or any such permitted sublessee, as the case may be, as the operator thereof.

(d) Indemnity. The Lessee shall indemnify the Lessor and the Secured Parties against any liability, loss or expense incurred by any of them as a result of the marking of the Equipment with such Lessee name, initials or insignia.

SECTION 12. DISCLAIMER OF WARRANTIES.

THE LESSEE ACKNOWLEDGES AND AGREES THAT (i) EACH ITEM OF EQUIPMENT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (ii) THE LESSEE IS SATISFIED THAT EACH ITEM OF EQUIPMENT IS SUITABLE FOR ITS PURPOSES, (iii) THE LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND, (iv) EACH ITEM OF EQUIPMENT IS LEASED HEREUNDER SUBJECT TO ALL APPLICABLE LAWS AND GOVERNMENTAL REGULATIONS NOW IN EFFECT OR HEREAFTER ADOPTED AND IN THE STATE AND CONDITION OF EVERY PART THEREOF WHEN THE SAME FIRST BECAME SUBJECT TO THIS LEASE, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE LESSOR, AND (v) AS BETWEEN THE LESSOR AND THE LESSEE, THE LESSOR LEASES EACH ITEM OF EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE CONDITION, FITNESS, DESIGN, OPERATION OR MERCHANTABILITY OF THE EQUIPMENT, (B) THE LESSOR'S TITLE THERETO (OTHER THAN AS SET FORTH IN THE IMMEDIATELY SUCCEEDING SENTENCE), OR (C) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor does warrant, however, that as at the date of delivery and acceptance of the Equipment hereunder it will have whatever quality of title to the Equipment which it obtained from the seller thereof, subject to this Lease and any liens or encumbrances permitted hereby or which the Lessee is obligated to discharge or satisfy. Without limiting the foregoing the Lessor further warrants and agrees that neither it nor anyone claiming by or through the Lessor will wrongfully interfere with the Lessee's quiet enjoyment of the Equipment provided that the Lessee is otherwise in compliance with the terms of this Lease.

The Lessee agrees to warrant and defend the right, title and interest of the Lessor to the Equipment, against the rights or claims of any person arising on or after acceptance of the Equipment by the Lessee hereunder other than liens permitted by Section 10 hereof. The Lessor agrees, so long as no Event of Default has occurred and is continuing, that the Lessee shall have the benefit of and be entitled to enforce, either in its own name or in a name of the Lessor for the use and benefit of the Lessee, any and all warranties (whether expressed or implied) and obligations of the Manufacturers in respect of the Equipment and the Lessor agrees to execute and deliver such further instruments as may be necessary to enable the Lessee to obtain service

furnished for the Equipment by any Manufacturer. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any Manufacturer or other suppliers of components incorporated therein; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights.

SECTION 13. CASUALTY OCCURRENCES; PAYMENT FOR UNSERVICEABLE EQUIPMENT.

(a) Casualty Occurrence. In the event that any Item of Equipment shall suffer a Casualty Occurrence, the Lessee shall promptly (after it has knowledge of such Casualty Occurrence) and fully inform the Lessor and the Secured Party having an interest in such Item in regard thereto. The Lessee shall terminate this Lease with respect to such Item by paying the Lessor or party then entitled to receive such payment, (i) if the Casualty Occurrence occurs prior to the Periodic Rent Commencement Date, on the Periodic Rent Commencement Date, or (ii) if the Casualty Occurrence occurs on or subsequent to the Periodic Rent Commencement Date, on the due date of the next installment of Periodic Rent for which a Casualty Value is shown, an amount equal to the Casualty Value of such Item computed as of the date of such payment (together with the installment of Interim Rent or Periodic Rent, if any, then due in respect of such Item). Upon (and not until) payment of such Casualty Value and such installment of Interim Rent or Periodic Rent, the Lease shall terminate with respect to such Item and no further Periodic Rent shall be payable for or in respect of such Item and all remaining right, title and interest of the Lessor, if any, in and to such Item shall vest in the Lessee, but the Lessee shall continue to pay Rent for all other Items of Equipment.

(b) Application of Proceeds. The Lessor shall be entitled to receive any proceeds (and the Lessee shall promptly pay over to the Lessor or party then entitled to receive such payment any proceeds received by the Lessee) of any claims for damage, insurance or award received on account of a Casualty Occurrence with respect to an Item of Equipment; provided that unless a Default or an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to credit for the amount of such proceeds so received by the Lessor against the Lessee's obligation to pay the Casualty Value for such Item, and following the payment of the Casualty Value in respect of such Item, the Lessee may retain (and the Lessor shall promptly pay over to the Lessee any such proceeds received by it and for which no credit against the Lessee's obligation to

pay such Casualty Value has been utilized) any such proceeds exceeding any amounts of such Casualty Value.

(c) Application of Payments from Governmental Authorities for Requisition of Title. Any payments received at any time by the Lessor, either Secured Party or by the Lessee from any governmental authority or instrumentality or agency thereof with respect to a Casualty Occurrence resulting from the condemnation, confiscation or seizure of, or requisition of title to or use of an Item of Equipment will be applied as follows: so much of such payments as shall not exceed the Casualty Value required to be paid by the Lessee pursuant to Section 13(a) hereof shall be applied in reduction of the Lessee's obligation to pay such Casualty Value, if not already paid by the Lessee, or, if already paid by the Lessee and no Default or Event of Default exists, shall be applied to reimburse the Lessee for its payment of such Casualty Value, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by the Lessor.

(d) Requisition for Use by a Governmental Authority for Less than One Year. In case the use of an Item of Equipment (but not the title thereto) shall be requisitioned, condemned, confiscated or seized by any governmental authority for a period which does not extend beyond one year, this Lease and all obligations of the Lessee (including the obligation to pay Rent in respect of such Item) with respect to such Item shall continue throughout such period, and if no Default or Event of Default shall have occurred and be continuing the Lessee shall be entitled to receive any compensation paid for or based upon such use; provided, however, that nothing herein contained shall limit the obligations of the Lessee with respect to the condition in which such Item is to be returned to the Lessor. All payments received by the Lessor or the Lessee from any governmental authority for the use of such Item after any such one year period or after the Lease Term of such Item shall (provided no Default or Event of Default has occurred and is continuing) be paid over to, or retained by, the Lessee. A requisition or taking for an indefinite period of time shall not be deemed to exceed one year unless and until the period of such requisition or taking does in fact exceed one year.

(e) Obsolescence. If, on and after the twenty-first (21st) Periodic Rent Payment Date, any Item of Equipment is, in the good faith opinion of the President of the Lessee, economically unfit, technically obsolete or unsuitable for continued use by the Lessee, or surplus to the needs of the Lessee, in the Lessee's business, the Lessee may, if no Default or Event of Default has occurred and is continuing, give written notice to the Lessor and to the Secured Party having an interest in such Item of Equipment (which written notice shall be accompanied by a certificate of the President of the Lessee evidencing such determination of unfitness, obsolescence or unsuitability) of the termination of this Lease with respect to such Item on any Periodic Rent Payment Date occurring

not less than 90 days after the giving of such notice. For the purposes of this Section 13(e), interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price, shall be disregarded in the determination of economic fitness. During the period from the giving of such written notice until the termination date specified therein, the Lessee, as agent for the Lessor, shall obtain written bids for both the purchase and the re-lease of such Item and the Lessee shall certify to the Lessor and the Secured Party having an interest in such Item in writing the amount and terms of such bids and the names and addresses of the parties submitting such bids. In the case of any such bid which contemplates the re-lease of such Item, the Secured Party having an interest in such Item may in its sole discretion reject such bid or may accept such bid upon such terms and conditions as it may in its sole discretion deem appropriate. The Lessee shall have the option of purchasing or re-leasing such Item upon the terms and conditions set forth in the highest bid contemplating a purchase or re-lease, as the case may be, submitted by a party not affiliated with the Lessee. If, but only if, the Lessor, the Secured Party having an interest in such Item and the Lessee agree to a re-lease of such Item, then and in such event the Lessee shall on such termination date pay the Re-lease Value (as hereinafter defined) for such Item computed as of such termination date (together with the installment of Periodic Rent then due in respect of such Item) to such Secured Party and on such termination date the Lessor shall pay to the Lessee the Proceeds of such Item (as hereinafter defined). The Re-lease Value of an Item of Equipment as of any termination date shall mean the amount determined in accordance with the Lease Supplement covering such Item. The Proceeds of an Item of Equipment shall mean the present value of all future rents under the terms of a re-lease of such Item of Equipment as herein contemplated discounted as of such termination date, such present value to be computed on the basis of the lowest rate per annum to be paid in respect of any securities to be issued by the Lessor in connection with any such re-lease from the respective dates upon which such future rents under such re-lease would be paid. The Lessor and the Lessee understand and agree that such Secured Party shall have no obligation with respect to the payment of the Proceeds of any Item of Equipment.

If an Item of Equipment is to be sold and the Lessee is to pay the Termination Value thereof (whether because the Secured Party having an interest in such Item has in its sole discretion rejected the terms of any re-lease thereof or otherwise), then on or before such termination date the Lessor shall sell such Item "as-is, where-is", without representation or warranty, express or implied, for cash to the bidder which shall have submitted the highest bid prior to such date, whether or not such bidder has been furnished by the Lessor or the Lessee, or to the Lessee, if the Lessee so elects as herein contemplated. The total selling price realized at such sale shall be retained

by the Lessor and, in addition, on such termination date, the Lessee shall pay to the Lessor all Rents in respect of such Item due and unpaid on or before such termination date together with the excess, if any, of (a) the Termination Value for such Item computed as of such termination date (together with the installment of Periodic Rent then due in respect of such Item), over (b) the sale price of such Item after deducting the expenses incurred by the Lessor in connection with such sale. If the bids for the purchase or re-lease of such Item are unsatisfactory to the Lessee or if, for any other reason, no sale or re-lease shall have occurred on or as of such termination date, the Lessor shall redeliver such Item to the Lessee and this Lease shall continue in full force and effect. The Lessor may bid on and purchase any such Item or obtain bids with respect thereto, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale other than to transfer to the purchaser named in the highest bid certified by the Lessee to the Lessor, the Lessor's interest in such Item, against receipt of the payments provided for herein. Upon payment of such Termination Value of such Item and such installment of Periodic Rent, the Lease with respect to such Item shall terminate and no further Periodic Rent shall be payable for or in respect of such Item.

SECTION 14. ASSIGNMENT BY LESSOR.

(a) Right to Assign; Limitation. The Lessor may assign this Lease and/or the Interim Rent and Periodic Rent at any time due and to become due, or at any time owing or payable, by the Lessee to the Lessor under any of the provisions of this Lease. Any assignment by the Lessor of the ownership interest in and to this Lease shall be in accordance with the terms and conditions of Section 7 of the Participation Agreement and the Letter Agreement dated September 30, 1982 between the Trustor and the Sublessee. Any assignment for collateral purposes shall be to either or both of the Secured Parties and may be in respect of either (i) this Lease and/or the Interim Rent and Periodic Rent due and to become due in respect of all of the Equipment at any time or from time to time leased hereunder, or (ii) this Lease and/or the Interim Rent and Periodic Rent due and to become due in respect of all, but not less than all, of the Equipment described in any one or more of the Lease Supplements and shall by its terms provide that any such Interim Rent and Periodic Rent shall be payable to either or both of the Secured Parties. Upon any such assignment, the Lessor shall give written notice to the Lessee stating the name and post office address of any such assignee and all rents and other sums payable by the Lessee which are the subject matter of such assignment shall be paid to such assignee. In the event that separate assignments are executed by the Lessor, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect, this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the

leasing of Equipment covered by each such separate assignment, and each assignee shall be entitled to exercise all of the rights and remedies of the Lessor in respect of the Equipment covered by the separate assignment to such assignee, all to the same extent and with the same force and effect as though a separate Lease had been entered into by the Lessee and the Lessor in respect of such Equipment.

(b) No Obligations of Secured Parties, Etc. The Secured Parties shall not be obligated to perform any duty, covenant or condition required to be performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof acknowledges and agrees that notwithstanding any such assignment each and all such duties, covenants and conditions required to be performed by the Lessor shall survive any such assignment and shall be and remain the sole liability of the Lessor and of every person, firm or corporation succeeding (by merger, consolidation, purchase of assets or otherwise) to all or substantially all of the business assets or goodwill of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that the rights of any assignee pursuant to Section 14(a) hereof to Rent due it hereunder shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment or reduction of any kind for any reason whatsoever whether by reason of failure of or defect in the Lessor's title or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof or any damage to or loss or destruction of any Item of Equipment or any part of any thereof or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the Rent subject only to the provisions of Section 3(d) hereof.

Nothing contained in this Lease, including without limitation, this Section 14(b), shall prevent the Lessee from exercising such legal rights and remedies (other than the abatement, reduction, termination or recision of Rent payable by the Lessee hereunder) as it may have against the Lessor or anyone claiming by or through the Lessor for damages suffered by the Lessee as a result of the violation of the warranty to the Lessee of quiet enjoyment contained in Section 12 hereof, it being understood and agreed by the Lessee that any such alleged breach by any person shall not be imputed to any other person.

(c) Certain Rights of Assignees. Unless and until the Lessee shall have received written notice from each assignee pursuant to Section 14(a) hereof that its interest has been released (i) no amendment or modification of, or waiver by or consent of the Lessor in respect of, any of the provisions of

this Lease shall be effective unless each such assignee whose rights may be affected thereby shall have joined in such amendment, modification, waiver or consent or shall have given its prior written consent thereto, and (ii) except as otherwise provided in the Security Agreement entered into by such assignee such assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of such assignee) provided for in this Lease including without limitation Section 16(b) hereof.

SECTION 15. SUBLEASE AND ASSIGNMENT BY LESSEE.

It is understood and agreed that simultaneously with the execution and delivery of this Lease, the Lessee shall sublease all, but not less than all, of the Equipment to the Sublessee pursuant to Sublease Agreement No. 1. The sublease of the Equipment by the Lessee pursuant to Sublease Agreement No. 1 shall not relieve the Lessee of any of its obligations, liabilities or duties hereunder, which shall be and remain those of a principal and not a guarantor. It is further understood and agreed that the Sublessee shall sublease all, but not less than all, of the Equipment to the Lessee (or one of its affiliates) pursuant to Sublease Agreement No. 2, provided that the sublease of the Equipment by the Sublessee, as sublessor, pursuant to Sublease Agreement No. 2 shall not relieve the Sublessee of any of its obligations, liabilities or duties under Sublease Agreement No. 1, which shall be and remain that of a principal and not a guarantor. It is understood and agreed that the Lessee, as sublessee under Sublease Agreement No. 2, shall have the right to sublease all or any part of the Equipment if all of the following conditions shall be satisfied: (a) all such subleases shall be subject and subordinate to the terms and conditions of this Lease, Sublease Agreement No. 1 and Sublease Agreement No. 2, (b) the Lessee (or one of its affiliates), as sublessee under Sublease Agreement No. 2, shall remain directly and primarily liable for the performance of its obligations under Sublease Agreement No. 2 which obligations shall remain those of a principal and not of a guarantor, (c) the rights of such sublessees shall be expressly made subject and subordinate to the rights of the Lessor and the Secured Parties hereunder, the rights of the Lessee as sublessor under Sublease Agreement No. 1 and the rights of the Sublessee, as sublessor under Sublease Agreement No. 2 and (d) either such sublessee is affiliated with the Sublessee or the Lessor and the Secured Party having any interest in the Equipment to be sublet shall have given their respective prior written consent to any such sublease, which consent shall not be unreasonably withheld.

So long as no Default or Event of Default has occurred and is continuing, the Lessee may receive and retain for its own account such compensation for any permitted assignment or subletting

of the Group D Equipment and/or for use of the Group D Equipment by others as the Lessee may determine. Without limiting the foregoing, it is contemplated that the Lessee shall collect and retain for its own account all mileage allowances, rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use, ownership or operation of the Group D Equipment, and if for any reason the Lessor shall receive any Mileage then, unless a Default or Event of Default shall have occurred and be continuing, the Lessor shall promptly remit without interest said Mileage to the Lessee after the Lessee shall have furnished to the Lessor an opinion, ruling or other evidence reasonably satisfactory to the Lessor's legal counsel to the effect that the Lessor may remit all or any portion of said Mileage to the Lessee without violation of the provisions of 49 U.S.C. Section 11902, or any other applicable law or regulation. The obligation of the Lessor under the next preceding sentence shall survive termination of this Lease.

SECTION 16. DEFAULTS.

(a) Events of Default. The following events (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute "Events of Default":

(i) The Lessee shall default in the payment to a person entitled to receive payment under Section 3(d) hereof of any installment of Interim Rent or Periodic Rent or of any payment of Casualty Value or Termination Value pursuant to Section 13 hereof; provided that any such failure shall not constitute an Event of Default hereunder if (y) payment is made within five days after notice from the Lessor or either Secured Party and (z) any such failure does not in aggregate amount constitute the third such failure or the second consecutive such failure to pay pursuant to this Section 16(a)(i); or

(ii) The Lessee shall default in the payment to a person entitled to receive the payment under Section 3(d) hereof of any Supplemental Rent (other than any payment of Casualty Value or Termination Value) and such default shall continue for a period of ten days after written notice thereof from the Lessor or either Secured Party to the Lessee; or

(iii) The Lessee shall default in the observance or performance of any other covenant required to be observed or performed by the Lessee hereunder and such default shall continue for thirty (30) days following

(x) the earlier of written notice thereof from the Lessor, the Trustor or either Secured Party to the Lessee and (y) the date on which a "responsible officer" of the Lessee (as hereinafter defined) shall have actual knowledge thereof; or

(iv) Any representation or warranty made by the Lessee herein or by the Lessee in any statement or certificate furnished to the Lessor or either Secured Party pursuant to or in connection with this Lease, the Acquisition Agreement, the Participation Agreement or the Security Agreements proves untrue in any material respect as of the date of issuance or making thereof; or

(v) An Event of Default (as defined in Sublease Agreement No. 1) shall have occurred and be continuing under Sublease Agreement No. 1; or

(vi) The Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(vii) Bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against the Lessee; or the Lessee shall permit or there shall occur any involuntary transfer of its interest hereunder or of all or substantially all of the Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise; unless in every such case such proceedings (if instituted against the Lessee) shall be dismissed or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective.

(b) Remedies. When any Event of Default has occurred and is continuing, the Lessor or in the event this Lease has been assigned to the Secured Parties pursuant to Section 14 hereof, either Secured Party (to the extent of the interest assigned to it) may at its option declare in writing to the Lessee, this Lease to be in default and at any time after such declaration, the Lessor or either Secured Party (to the extent of the interest assigned to it) as the case may be, may exercise any one or more of the following remedies as the Lessor or either Secured Party, as the case may be, in its sole discretion shall elect, to the extent permitted by and subject to compliance with any mandatory requirements of applicable law then in effect.

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

(ii) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and the Lessor or either Secured Party, as the case may be, may demand that the Lessee, and the Lessee shall upon the written demand of the Lessor or either Secured Party, as the case may be, return the Equipment which is the subject of such demand promptly to the Lessor or such Secured Party, as the case may be, in the manner and condition required by, and otherwise in accordance with all of the provisions of, Section 17 hereof as if such Equipment were being returned at the end of the Lease Term, except that the Lessee will provide free storage for such Equipment upon the terms set forth in Sectin 17 (except that the storage period with respect to such Equipment shall be for 180 days after the Lessor or such Secured Party, as the case may be, shall have so declared this Lease to be in default (with respect to such Equipment) and shall bear the entire expense and risk of such storage and preparation of such Equipment for shipment and the delivery of such Equipment to the location provided in Section 17; or the Lessor or such Secured Party, as the case may be, at its option, may in a commercially reasonable manner enter upon the premises where such Equipment or any part thereof is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to the Lessor or such Secured Party, as the case may be, for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(iii) The Lessor or either Secured Party, as the case may be, may sell any Item of Equipment at public or private sale, as the Lessor or such Secured Party, as the case may be, may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (vi) below if the Lessor or such Secured Party, as the case may be, elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay Periodic Rent with respect

to such Item hereunder on Periodic Rent Payment Dates subsequent to the date of such sale shall terminate (except to the extent that Periodic Rent is to be included in computations under paragraph (v) or (vi) below if the Lessor or such Secured Party, as the case may be, elects to exercise its rights under either of said paragraphs);

(iv) The Lessor or either Secured Party, as the case may be, may hold, keep idle or lease to others any Item of Equipment or any part thereof, as the Lessor or such Secured Party, as the case may be, in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Periodic Rent with respect to such Item on Periodic Rent Payment Dates subsequent to the date upon which the Lessee shall have been deprived of use of such Item pursuant to this Section 16 shall be reduced by the net proceeds, if any, received by the Lessor or such Secured Party, as the case may be, from leasing such Item to any person other than the Lessee; -

(v) Whether or not the Lessor or either Secured Party, as the case may be, shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (i), (ii), (iii) or (iv) above with respect to any Item of Equipment, the Lessor or either Secured Party, as the case may be, by written notice to the Lessee specifying a payment date which shall be not earlier than ten days after the date of such notice, may demand that the Lessee pay to the Lessor or such Secured Party, as the case may be, and the Lessee shall pay to the Lessor or such Secured Party, as the case may be, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Rent for such Item of Equipment due after the payment date specified in such notice), any unpaid Periodic Rent for such Item of Equipment due for periods prior to the payment date specified in such notice plus whichever of the following amounts the Lessor or such Secured Party, as the case may be, in its sole discretion, shall specify in such notice: (i) an amount equal to the excess, if any, of the Casualty Value for such Item computed as of the Periodic Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, over the present value of the fair market

rental value (determined as hereafter in this Section 16 provided) of such Item for the remainder of the Lease Term or renewal term, as the case may be, as of the payment date specified in such notice, such present value to be computed on the basis of an 8% per annum rate of discount from the respective dates upon which such rent would be paid, or (ii) an amount equal to the excess, if any, of the Casualty Value for such Item as of the Periodic Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, over the fair market sales value of such Item (determined as hereafter in this Section 16 provided) as of the payment date specified in such notice;

(vi) If the Lessor or either Secured Party, as the case may be, shall have sold any Item of Equipment pursuant to paragraph (iii) above, the Lessor or such Secured Party, as the case may be, in lieu of exercising its rights under paragraph (v) above with respect to such Item may, if it shall so elect, demand that the Lessee pay to the Lessor or such Secured Party, as the case may be, and the Lessee shall pay to the Lessor or such Secured Party, as the case may be, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Rent for such Item due on Periodic Rent Payment Dates subsequent to the Periodic Rent Payment Date next preceding such sale), any unpaid Periodic Rent for such Item due for periods up to and including the Periodic Rent Payment Date next preceding the date such sale occurs plus the amount, if any, by which the Casualty Value of such Item computed as of the Periodic Rent Payment Date next preceding the date of such sale or if such sale occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, exceeds the net proceeds of such sale.

For purposes of this Section 16, Periodic Rent or Casualty Value with respect to any Item of Equipment shall be computed based on the Lessor's Cost of such Item.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Equipment, or any part thereof in accordance with Section 17 hereof or in placing the Equipment in the condition required by said Section 17.

For the purposes of this Section 16, "fair market rental value" and "fair market sales value" shall be determined on the basis of an appraisal of an independent appraiser chosen by the Lessor or either Secured Party, as the case may be, and the cost of any such appraisal shall be borne by the Lessee. For purposes of this Section 16 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of this Lessee any corporate officer of the Lessee who in the normal performance of his operational responsibilities would have knowledge of such matter and the requirements of this Lease with respect thereto.

(c) Remedies Cumulative. Except as otherwise expressly provided above, no remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor or the Secured Parties, as the case may be, at law or in equity; and the exercise or beginning of exercise by the Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Lessor or either Secured Party, as the case may be, of any or all of such other remedies. No express or implied waiver by the Lessor or either Secured Party, as the case may be, of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Lessor or either Secured Party, as the case may be, to sell, lease or otherwise use the Equipment or any part thereof in mitigation of the Lessor's or either Secured Party's damages as set forth in this Section 16 or which may otherwise limit or modify any of the Lessor's or either Secured Party's rights and remedies in this Section 16.

SECTION 17. RETURN OF EQUIPMENT.

(a) Return. Upon the expiration of the term of this Lease with respect to any Item or Items of Equipment, the Lessee will, at its own cost and expense have the following obligations with respect to the return thereof:

(i) Group A and Group B Equipment. At the request of the Lessor, the Lessee will deliver possession of such Item of Equipment to the Lessor at such storage area as the Lessor may reasonably designate (the distance of which from the Lessee's manufacturing facility in Morris County, Texas shall not exceed the distance between such facility and Dallas, Texas), or in the absence of any designation of a storage location, in such location as the Lessee may reasonably select, and arrange for the Lessor to store such Item of Equipment at such

storage area without charge for insurance, rent or storage, for a period not exceeding thirty (30) days. At the end of such thirty (30) day storage period or prior thereto at the request of the Lessor, the Lessee will disassemble each Item of Equipment as necessary and deliver it ready for shipment to the railhead nearest the location of such Item of Equipment and will if requested by the Lessor load such Item aboard such carrier as the Lessor shall specify and shall ship such Item freight collect to any place designated by the Lessor.

(ii) Group C and Group D Equipment. At the request of the Lessor, the Lessee will deliver possession of such Group C or Group D Item of Equipment on such railroad tracks in the Dallas-Ft. Worth, Texas Metropolitan area as the Lessor may reasonably designate or in the absence of any designation of a storage location, at such location as the Lessee may reasonably select, and the Lessee will arrange for storage of such Item of Equipment on such tracks without charge for insurance, rent or storage, for a period not exceeding thirty (30) days. At the end of such thirty (30) day storage period or prior thereto at the request of the Lessor, the Lessee will transport at the Lessee's expense such Item of Equipment to any place of interchange on lines of railroad within the Dallas-Ft. Worth, Texas Metropolitan area as the Lessor may reasonably direct in writing.

All such movement and storage of each Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. All amounts earned in respect of the Equipment after the date of expiration of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

(b) Condition on Return. Each Item of Equipment returned to the Lessor pursuant to this Section 17 shall be in

the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted and in the case of Group D Equipment, suitable for use in interchange in accordance with the Interchange Rules.

(c) Specific Performance. The gathering, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so gather, deliver, store and transport the Equipment.

SECTION 18. CONSOLIDATION, MERGER AND SALE OF ASSETS.

The Lessee agrees that during the Lease Term and any renewal term it will maintain its corporate existence, will not sell or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, provided that the Lessee may, without violating the agreements contained in this Section 18, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more corporations to merge into it, if the surviving, resulting, acquiring or transferee corporation, if other than the Lessee, (a) assumes in writing all of the obligations of the Lessee hereunder, (b) is a corporation organized under the laws of one of the states of the United States of America and (c) is a solvent corporation with a consolidated net worth (computed on the same basis as that of the Lessee) at least equal to the Consolidated Net Worth of the Lessee immediately prior to such consolidation, merger or sale.

For purposes of this Section:

(i) The term "Lessee's Subsidiary" shall mean any corporation of which a majority of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is at the time owned by the Lessee, or by one or more of the Lessee's Subsidiaries.

(ii) The term "Consolidated Net Worth" means the sum of the following amounts on a balance sheet of the Lessee and the Lessee's Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of the date as of which Consolidated Net Worth is to be determined: (A) the par or stated value of all outstanding shares of capital stock, plus (B) paid-in surplus, other capital surplus, earned surplus and retained earnings, less the sum of:

(w) the cost of any treasury stock,

(x) any revaluation surplus,

(y) all amounts appearing as assets on such balance sheet that are attributable to good will, licenses, franchises, patents, patent applications, trademarks, trade names, copyrights or other similar intangibles, leasehold improvements or deferred charges, and

(z) any amounts appearing as assets on such balance sheet which represent an obligation of any officer, director or stockholder (including any person controlling any such stockholder) of the Lessee or any of the Lessee's Subsidiaries.

SECTION 19. FINANCIAL REPORTS; EQUIPMENT REPORTS AND INSPECTION.

(a) Financial Reports. The Lessee agrees to furnish to the Lessor and the Secured Parties, in duplicate, with respect to the Sublessee:

(i) As soon as available and in any event within 60 days after the end of each quarterly period, a consolidated balance sheet of the Sublessee and its consolidated subsidiaries as at the end of such period, and a consolidated income statement of the Sublessee and its consolidated subsidiaries for the quarterly period ending on the date of such balance sheet, setting forth comparative figures for the corresponding quarter of the preceding fiscal year, all in reasonable detail and certified by the principal accounting officer of the Sublessee, and the quarterly report to its stockholders;

(ii) As soon as available and in any event 120 days after the last day of each fiscal year, a consolidated balance sheet of the Sublessee and its consolidated subsidiaries as at the end of such fiscal year, and a consolidated income statement and statement of changes in financial position for such fiscal year, setting forth comparative figures for the preceding fiscal year, all in reasonable detail and certified by independent public accountants of recognized standing selected by the Sublessee;

(iii) Promptly after their original distribution, copies of all such published financial statements and reports as the Sublessee shall send to its stockholders and of any registration statement or prospectus filed by the Sublessee or any subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency; and

(iv) Promptly upon their becoming available, copies of each Form 10-Q and Form 10-K filed by the Sublessee

with the Securities and Exchange Commission or any successor agency (it being understood that if and to the extent such Forms are provided within the time periods prescribed by and contain the reports and accompanying certificates required by clauses (a) and (b) above, the requirement of supplying such reports shall be deemed to have been met).

(b) Equipment Reports and Inspection. On or before the first April 1 which occurs more than four months following the date of this Lease, and on each April 1 thereafter during the term of this Lease, the Lessee will furnish to the Lessor and the Secured Parties an accurate description of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on the preceding December 31 (or since the date of this Lease, in the case of the first such statement).

The Lessee will also permit the Lessor and the Secured Parties (or such persons as the Lessor or the Secured Parties may designate) to visit and inspect, under the Lessee's guidance and at the sole expense of such person or persons the Equipment and to examine the maintenance records and other similar information relating to the Equipment to the extent any such records or information exists, and to discuss the foregoing with the appropriate officers of the Lessee or the Sublessee, all at such reasonable times and as often as the Lessee and the Secured Parties may reasonably desire.

SECTION 20. OPTIONS TO PURCHASE; OPTIONS TO RENEW.

(a) Options to Purchase. Provided that no Default or Event of Default has occurred and is continuing, the Lessee shall at the end of the Lease Term or any renewal term with respect to any Item of Equipment have the option to purchase such Item at a price equal to the "fair market sales value" thereof (plus all sales or other transfer taxes or other similar charges on or measured by such "fair market sales value"). The Lessee shall give the Lessor written notice not less than 120 days prior to the end of the Lease Term or any renewal term, as the case may be, with respect to such Item of Equipment of its election to exercise the purchase option with respect thereto provided by this Section 20(a). The "fair market sales value" with respect to any Item of Equipment shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market sales value of such Item of Equipment within 30 days of such notice of the Lessee's election to exercise the purchase option, the Lessee shall have the option of withdrawing its election to purchase at any time prior to the 90th day prior to the end of the Lease Term or the then current renewal term, as the case may be, with respect thereto or of proceeding to purchase such item

and the fair market sales value shall be determined on the basis of an appraisal mutually agreed to by two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such appraisal, determined on the basis of an appraisal made by a third independent appraiser chosen by the American Arbitration Association. The cost of any such appraisal shall be borne equally by the Lessee and the Lessor.

Payment of the purchase price shall be made at the place of payment and in the manner specified in Section 3(d) hereof against delivery of a bill of sale transfering and assigning to the Lessee all right, title and interest of the Lessor in and to such Item of Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee has assumed or is obligated to discharge under the terms of this Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters, except as set forth in the preceding sentence hereof.

(b) Options to Renew. Provided that no Default or Event of Default has occurred and is continuing, at the end of the Lease Term with respect to any Item of Equipment, the Lessee shall have the option to renew and extend this Lease as to such Item of Equipment in any such case for additional renewal terms of not less than one year each (as the Lessor and the Lessee may agree), each, upon and subject to the terms and conditions herein contained for the original term of this Lease excepting only that the Periodic Rent for any such renewal term, which shall be payable quarterly in arrears during each such term, shall be an amount equal to the "fair market rental value" of such Item of Equipment; provided that the Lessee shall not be permitted a renewal option with respect to such Item if the duration of such renewal period when added to the Lease Term and any other expired or then expiring renewal period of such Item of Equipment shall exceed eighty per cent (80%) of the then useful life of such Item. Each renewal term with respect to an Item of Equipment shall commence immediately upon the expiration of the Lease Term or the then current renewal term, as the case may be, with respect thereto. The Lessee shall give the Lessor written notice not less than 90 days prior to the end of the Lease Term or the then current renewal term, as the case may be, with respect to such Item of Equipment of its election to exercise a renewal option with respect thereto provided for by this Section 20(b). The "fair market rental value" with respect to any Item of Equipment shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market rental value of such Item of Equipment within 60 days of such notice of the Lessee's election to exercise the renewal option, the Lessee shall have the option of withdrawing its election to renew at any time prior to the 60th day prior to the end of the Lease Term or the then current renewal

term, as the case may be, with respect thereto or of proceeding to renew and the fair market rental value shall be determined on the basis of an appraisal mutually agreed to by two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such appraisal, determined on the basis of an appraisal made by a third independent appraiser chosen by the American Arbitration Association. The cost of any such appraisal shall be borne equally by the Lessee and the Lessor.

SECTION 21. LESSEE'S REPRESENTATIONS AND WARRANTIES; SURVIVAL.

(a) Representations and Warranties. The Lessee represents and warrants that as of the date of execution hereof:

(1) The Lessee (i) is a corporation duly organized, legally existing and in good standing under the laws of the State of Texas, (ii) has all requisite power and authority to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted and has all requisite power and authority and all necessary licenses and permits to enter into and perform this Lease, Sublease Agreement No. 1 and the Acquisition Agreement; and (iii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction which in the opinion of management of the Lessee such qualification is necessary;

(2) Except as disclosed in the Form 10-K covering the fiscal year ended December 31, 1981 filed by the Sublessee with the Securities and Exchange Commission, there are no actions at law or in equity pending or, to the knowledge of the Lessee, threatened, which if determined adversely, would individually or in the aggregate result in any material adverse change in the business or properties of the Lessee or affect the ability of the Lessee to perform this Lease, Sublease Agreement No. 1 or the Acquisition Agreement; and, except as disclosed in said Form 10-K, there are no proceedings of any kind or nature pending or, to the knowledge of the Lessee, threatened, against the Lessee by any Federal or state board or other administrative authority or agency which may result in any material adverse change in the business or properties of the Lessee or affect the ability of the Lessee to perform this Lease, Sublease Agreement No. 1 or the Acquisition Agreement;

(3) The execution and performance of this Lease, Sublease Agreement No. 1 and the Acquisition Agreement will not violate any provisions of any order of any

court or governmental authority or agency binding on the Lessee or of any law and will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under the Articles of Incorporation or By-laws of the Lessee or any indenture or other agreement or instrument to which the Lessee is a party or by which it may be bound or result in the imposition of any liens or encumbrances on the Equipment;

(4) No Event of Default has occurred and is continuing;

(5) No approval, consent or withholding of objection on the part of any regulatory body, state, Federal or local, is necessary in connection with the execution and delivery or performance by the Lessee of this Lease, Sublease Agreement No. 1 or the Acquisition Agreement;

(6) The execution and delivery of this Lease, Sublease Agreement No. 1 and the Acquisition Agreement by the officers executing and delivering the same have been duly authorized by all necessary corporate action on the part of the Lessee and each of such instruments has been duly executed and delivered and constitutes the legal, valid and binding contract and agreement of the Lessee enforceable in accordance with its terms;

(7) The Lessee is not in default in the payment of the principal of, or interest on, any indebtedness for borrowed money or in default under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been issued; and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(b) Survival. The advance of funds by the Trustor and the purchase of the Notes by the Secured Parties under the Participation Agreement is being made in reliance on the representations and warranties contained in this Section 21 and said representations and warranties shall survive the execution and delivery of this Lease and said advance of funds by the Trustor and the purchase of the Notes by the Secured Parties and are expressly made for the benefit of, shall be enforceable by, and shall inure to the benefit of the Lessor, the Trustor and the Secured Parties.

SECTION 22. FURTHER ASSURANCES AND OPINIONS OF COUNSEL.

(a) Further Assurances. The Lessee will at its own expense do, execute, acknowledge, deliver, file, register and record all and every such further acts, deeds, conveyances, instruments, transfers and assurances required by law (including without limitation the Interstate Commerce Commission in accordance with 49 USC §11303(a) of the Interstate Commerce Act) or as the Lessor or either Secured Party may reasonably request in order to protect the right, title and interests of the Lessor hereunder or the perfection of the security interests granted by the Security Agreements and in connection with any such action will deliver to the Lessor and the Secured Parties proof of such filings. Without limiting the foregoing, the Lessee will cause the Security Agreements and this Lease, and all supplements thereto or hereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept recorded, registered and filed at its own expense in such manner and in such places as may be required by law or as the Lessor or the Secured Party may reasonably request in order fully to preserve and protect under the laws of the United States the rights of the Lessor hereunder and of each Secured Party under the Security Agreement to which it is a party and in connection with any such action, will deliver to the Lessor and the relevant Secured Party proof of such filings. The Lessor will, or, will cause the relevant Secured Party to, as the case may be, execute such instruments and take such actions as the Lessee may reasonably request to accomplish the intent of this Section 22(a).

(b) Opinions of Counsel. The Lessee agrees at its own expense to furnish or cause to be furnished to the Lessor and the relevant Secured Party promptly after the recordation of this Lease or any supplement or amendment hereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) and promptly after the execution and delivery of any Security Agreement and any supplement or amendment thereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law), an opinion of counsel satisfactory to the Lessor and relevant Secured Party (who may be counsel to the Lessee) stating that in the opinion of such counsel, this Lease and such supplement or amendment hereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) and such Security Agreement and such supplement or amendment thereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) have been properly recorded or filed for record in all public offices in the United States of America in which such recording or filing is necessary to protect the right, title and interest of the Lessor hereunder or, as the case may be, to perfect the security interest provided by such Security Agreement as a valid first security interest in the Items of Equipment, described therein, this Lease and the

Rent due and to become due hereunder with respect to such Items.

SECTION 23. COLLATERAL ASSIGNMENT BY LESSEE OF SUBLEASE AGREEMENT NO. 1.

(a) Assignment. As collateral security for the payment of any and all of the obligations and liabilities of the Lessee due hereunder, the Lessee does hereby grant a security interest in and assigns to the Lessor all of the right, title and interest which it has acquired or may have acquired under and pursuant to Sublease Agreement No. 1 whether now existing or hereafter entered into, including any and all extensions and renewals of Sublease Agreement No. 1, together, with all rights, powers, privileges, options and other benefits of the Lessee as sublessor under Sublease Agreement No. 1, including, without limitation:

(i) the immediate and continuing right to receive and collect all rental payments, casualty value payments, termination value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Lessee as sublessor pursuant to Sublease Agreement No. 1;

(ii) the right to make all waivers and agreements and to enter into any amendments relating to Sublease Agreement No. 1 or any provision thereof; and

(iii) the right to take such action upon the occurrence of an Event of Default under Sublease Agreement No. 1 or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under Sublease Agreement No. 1, including the commencement, conduct and consummation of legal, administrative and other proceedings, as shall be permitted by Sublease Agreement No. 1 or by law, and to do any and all other things whatsoever which the Lessee is or may be entitled to do under Sublease Agreement No. 1;

it being the intent and purpose hereof that the assignment and transfer to the Lessor of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect at all times during the period from and after the date of this Lease until the end of the term of this Lease and of Sublease Agreement No. 1, but excepting and reserving from the security interest and assignment hereby granted the duties, obligations and liabilities, if any, of the Lessee as sublessor under Sublease Agreement No. 1.

(b) Modifications of Sublease Agreement No. 1. The Lessee will not:

(i) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, Sublease Agreement No. 1 or by affirmative act consent to the creation or existence of any security interest or other lien to secure payment of indebtedness upon the leasehold estate created by Sublease Agreement No. 1 or any part thereof; or

(ii) receive or collect any rental payment or any other sum under Sublease Agreement No. 1 prior to the date for payment thereof provided for by Sublease Agreement No. 1 or assign, transfer or hypothecate (other than to the Lessor hereunder) any rent payment then due or to accrue in the future under Sublease Agreement No. 1.

(c) Further Assignment. The Lessee acknowledges and agrees that (i) all rights and interests assigned to the Lessor pursuant to this Section 23 may be further assigned in their entirety or as they relate to any Lease Supplement under Sublease No. 1 by the Lessor to any assignee in accordance with Section 14 hereof and upon an assignment relating to any such Lease Supplement, so long as any such separate assignment remains in full force and effect, Sublease No. 1 shall be deemed to be and shall have construed a divisible and severable contract between the Lessee and the Sublessee for the subleasing of the Items of Equipment covered by such separate assignment and any such assignee shall be entitled to exercise all of the rights and remedies of the Lessee as sublessor under Sublease No. 1 in respect of the Items of Equipment covered by such separate assignment, all to the same extent and with the same force and effect as though a separate Sublease No. 1 had been entered into by the Lessee and the Sublessee in respect of such Items, and (ii) the assignment provided for in this Section 23 shall not in any way obligate the Lessor or any of its successors or assigns to perform or satisfy any of the obligations or liabilities of the Lessee under Sublease Agreement No. 1.

(d) Power of Attorney. The Lessee hereby irrevocably constitutes and appoints the Lessor its true and lawful attorney with full power of substitution for it and in its name and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which may be or become due, payable or distributable to and in respect of the interests assigned under this Section 23, with full power to settle, adjust or compromise any claim thereof or therefor as fully as the Lessee could itself do and to endorse the name of the Lessee on all commercial paper given in payment or part payment thereof and all documents of satisfaction discharge or receipt required or requested in connection therewith and in its discretion to file any claim, to take any other action or

proceeding, either in its own name or in the name of the Lessee or otherwise, which the Lessor may deem necessary or appropriate to collect or otherwise realize upon any and all interest assigned hereunder, or which may be necessary or appropriate to protect and preserve the right, title and interest of the Lessor in and to the interests assigned under this Section 23 and the security intended to be afforded hereby. The Lessor understands and agrees that it shall not exercise the power of attorney herein granted unless and until a Default or Event of Default has occurred and is continuing.

(e) Rights under Uniform Commercial Code. Upon the occurrence of any Event of Default under this Lease, the Lessor shall, in addition to all other rights and remedies provided for herein, have in connection with the assignment provided for in this Section 23, all the rights of a secured party under the Uniform Commerical Code of Illinois (regardless of whether such Code is the law of the jurisdiction where the rights or remedies are asserted).

(f) Further Assurance. Without limiting the foregoing the Lessee hereby further covenants that it will, upon the written request of the Lessor, execute and deliver such further instruments and do and perform such other acts and things as are reasonably necessary to effectively invest in and secure to the Lessor and its assigns the interests assigned pursuant to this Section 23 or other rights or interests due or hereafter to become due.

(g) Application of Moneys. All distributions and payments to the Lessor pursuant to this Section 23 shall be applied by the Lessor to the payment and reduction of the obligations and liabilities of the Lessee for the payment of Rent under this Lease.

(h) Duration. The satisfaction or discharge of any part of the obligations or liabilities of the Lessee under this Lease shall not in any way satisfy or discharge the assignment provided for in this Section 23, but such assignment shall remain in full force and effect so long as any amount remains unpaid on any such obligations or liabilities.

SECTION 24. MISCELLANEOUS.

(a) Tax Indemnity Agreement. The Trustor and the Sublessee have entered into the Tax Indemnity Agreement providing for certain payments by the Sublessee to the Trustor in the event certain tax benefits contemplated by the Trustor as an incident to this transaction are not realized. It is understood and agreed that the performance and observance by the Lessee of its covenants and agreements hereunder shall not relieve the Sublessee of any of its obligations under the Tax Indemnity Agreement; and the performance and observance by the Sublessee of its covenants and agreements under the Tax Indemnity Agreement shall not relieve the Lessee of any of its obligations hereunder.

(b) No Waiver. No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach of default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. All waivers under this Lease must be in writing. All remedies either under this Lease or by law afforded to the Lessor shall be cumulative and not alternate.

(c) Right of Lessor to Perform. If the Lessee shall fail to comply with the covenants herein contained, including its covenants with respect to the maintenance of insurance, the payment of taxes, assessments and other charges or keeping the Equipment in repair and free of liens, charges and encumbrances, the Lessor or either Secured Party may, but shall not be obligated to (i) make advances to perform the same, and (ii) enter upon the land where the Equipment is located to perform any and all acts required by the Lessee's covenants herein contained and to take all such action thereon as in the Lessor's or either Secured Party's opinion may be necessary or appropriate therefor. All payments so made by the Lessor or either Secured Party and all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee upon demand as additional Rent hereunder. No entry shall be deemed an eviction of the Lessee or repossession of the Equipment, and no such advance, performance or other act shall be deemed to relieve the Lessee from any default hereunder.

(d) Notices. Any notice provided for in this Lease shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, addressed as follows:

If to the Lessor:
First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1
79 South Main Street
Salt Lake City, Utah 84111
Attention: Trust Division - Corporate Trust Department

If to the Lessee:
Lone Star Steel Company
P.O. Box 35888
2200 West Mockingbird Lane
Dallas, Texas 75235
Attention: Vice President and Controller

with a copy to:

Philadelphia and Reading Corporation
c/o Northwest Industries, Inc.
6300 Sears Tower
Chicago, Illinois 60606
Attention: Treasurer

If to the Secured Parties:

Unionmutual Stock Life Insurance Co.
of America
2211 Congress Street
Portland, Maine 04122
Attention: Bond Investment Division

All notices and communications to be addressed as above, but all payments to be addressed as follows:
By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to:
Federal Reserve Bank of Boston
for the account of Casco/Portland,
Account Number 011200022
For credit to Unionmutual Stock
Life Insurance Co. of America
Account No. 000-039-976

State of Wisconsin Investment Board
244 West Washington Avenue
P.O. Box 7842
Madison, Wisconsin 53707
Attention: Investment Director -
Private Placements

All notices and communications to be addressed as above, but all payments to be addressed as follows:
By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to:
First Wisconsin National Bank
of Milwaukee
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

for deposit to the account
of the State Treasurer with
telephone advice to the State
of Wisconsin Investment Board

or as to any of the foregoing parties at such other address as such party may designate by notice given in accordance with this Section 23 to the other parties hereto.

(e) Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Lease shall not render any other provision or provisions herein contained unenforceable or invalid.

(f) Concerning Lessor. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of First Security Bank of Utah, National Association, and Robert S. Clark, are nevertheless each and every one of them, made and intended not as personal representations, covenants, undertakings and agreements of them or for the purpose or with the intention of binding them personally but are made and intended for the purpose of binding only the Trust Estate; such Trust Estate is the Lessor hereunder, and this Lease is executed and delivered by First Security Bank of Utah, National Association, and Robert S. Clark not in their own right but solely in the exercise of the powers conferred upon them as trustees; and no personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against them on account of this Lease or on account of any representation, covenant, undertaking or agreement of them in this Lease contained, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

(g) Amendments. Any term, covenant, agreement or condition of this Lease may be amended or compliance therewith waived (either generally or in a particular instance and either retroactively or prospectively) in respect of any Item of Equipment if the Lessee shall have obtained the written consent of the Lessor and the Secured Party having an interest in such Item and any such amendment or waiver shall be deemed to be and shall be construed as a divisible and severable agreement between the Lessor, such Secured Party and the Lessee in respect of such Item and no other Item of Equpment, all to the same extent and with the same force and effect as though a separate Lease and separate amendment or waiver thereof, as the case may be, had been entered into by the Lessor and the Lessee in respect of such Item.

(h) Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of the Lessor and the Lessee and their respective permitted successors and assigns.

(i) Counterparts. This Lease and any supplement hereto may be executed in counterpart, each counterpart constituting an original but all together one and the same instrument and contract.

(j) Governing Law. This Lease is being delivered in the State of Illinois and all of the rights and obligations hereunder, including matters of construction, validity and performance shall be governed by the laws of said State.

(k) License to Enter Land. With respect to any Item of Equipment located on real property belonging to the Lessee and subject to the proviso hereto, the Lessee hereby grants to the Lessor and the Secured Parties (or such persons as the Lessor or either Secured Party may designate) an irrevocable license (the Lessee hereby warranting that such license is valid and enforceable) to enter upon the land where the Equipment is located and to bring upon or across such land such trucks, cranes and other equipment-handling devices as such parties may deem necessary in connection with the commercially reasonable exercise of the Lessor's rights and remedies under this Lease; provided, however, that neither the Lessor nor either Secured Party shall be entitled to exercise such license unless an Event of Default has occurred and is continuing and this Lease or the Lessee's rights of possession hereunder have been terminated or the Lease Term has expired and the Lessee has failed or refused for any reason to surrender the Equipment pursuant to Section 16 hereof.

(l) Code Section 48(d) Election. The Lessor and the Lessee hereby agree, and the Lessor hereby elects, that, solely for purposes of Section 48(d) of the Code, the Lessee shall be treated as having acquired the Equipment for purposes of the investment tax credit under Section 38 of the Code. The Lessor also agrees that it will take no action or position for Federal income tax purposes, or otherwise, inconsistent with such treatment and election, and the Lessor and the Lessee each agree to take such action, including, but not limited to, execution of such other documents and instruments as the Lessor or the Lessee may reasonable request, to effectuate such treatment and election.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, dated as of the day and year first above written.

[CORPORATE SEAL]

ATTEST:

Secretary

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, as trustee under Lone Star Steel Company Trust No. 82-1

By

Its ASSISTANT TRUST OFFICER

(L.S.)

ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

LESSOR

[CORPORATE SEAL]

ATTEST:

Secretary

LONE STAR STEEL COMPANY

By

Its

LESSEE

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 30th day of Sept, 1982, before me personally appeared RANDY R MARCHANT, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY ~~STATE~~ BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Todd D. Smith
Notary Public

TODD D. SMITH
NOTARY PUBLIC
STATE OF UTAH

[NOTARIAL SEAL]

My Commission Expires: 8/13/85

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 29th day of September, 1982, before me personally appeared Donald P Casey, to me personally known, who, being by me duly sworn, says that he is the Attorney-in-fact for Alex Lindsay, Vice President of LONE STAR STEEL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Alice M. Neely
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES JAN 6, 1986
ISSUED THRU ILLINOIS NOTARY ASSOC.

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 30th day of Sept, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

Todd D. Smith
Notary Public

TODD D. SMITH NOTARY PUBLIC STATE OF UTAH

[NOTARIAL SEAL]

My Commission Expires: 8/13/85

LEASE SUPPLEMENT NO.

THIS LEASE SUPPLEMENT NO. _, dated as of September 30, 1982 between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Lessor") under the Trust Agreement dated as of September 30, 1982, and LONE STAR STEEL COMPANY, a Texas corporation (the "Lessee");

W I T N E S S E T H:

1. The Lessor and the Lessee have heretofore entered into a Lease Agreement dated as of September 30, 1982 (the "Lease") providing for the execution and delivery from time to time of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. The Lessee hereby acknowledges and confirms that on the date hereof the Equipment described in Schedule A attached hereto and made a part hereof (the "Equipment"), has been unconditionally accepted by the Lessee and is now leased under the Lease. The Lessee represents and warrants that the Equipment is free and clear of all liens, claims and encumbrances except the lien of the Security Agreement and of Permitted Encumbrances.

3. The date of delivery and acceptance of the Equipment is the date of this Lease Supplement set forth in the opening paragraph hereof.

4. The aggregate Lessor's Cost for the Equipment, the Lessor's Cost for each Item of Equipment, the Lease Term, the Interim Rent rate and the amount thereof, the Periodic Rent rate and the amount of each installment thereof and the Periodic Rent Payment dates with respect to each Item of Equipment are as set forth in Schedule A attached hereto.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, all as of the day and year first above written.

[CORPORATE SEAL]

ATTEST:

_____

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, as trustee under Lone Star Steel Company Trust No. 82-1

By _____

Its _____

_____ (L.S.)

ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

LESSOR

[CORPORATE SEAL]

ATTEST:

_____

LONE STAR STEEL COMPANY

By _____

Its _____

LESSEE

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this ____ day of _____, 1982, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this ____ day of _____, 1982, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is the _____ _____ of LONE STAR STEEL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this ____ day of _____, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

_____
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

DESCRIPTION OF EQUIPMENT

Description of Item	Seller	Group, Lease Term and Periodic Rent Payment Dates	Serial No.	Lessor's Cost	Interim Rent Rate and Amount	Periodic Rent Rate and Amount	Place of Delivery and Location	Re-lease Values
								See Schedule B attached hereto

SCHEDULE A
(to Lease Supplement No. _)

SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of the Lessor's Cost of an Item of Equipment is to be paid on the Periodic Rent Commencement Date or a Periodic Rent Payment Date pursuant to Section 13 of the Lease Agreement as a result of such Item becoming the subject of a Casualty Occurrence depending upon when the Casualty Value is paid:

GROUP A EQUIPMENT

Periodic Rent Payment Date No.	Casualty Value Payable with respect to a Group A Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
Periodic Rent Commencement Date	107.96%
1	106.78%
2	105.28%
3	103.67%
4	101.95%
5	100.12%
6	98.17%
7	96.08%
8	93.86%
9	91.48%
10	88.95%
11	86.25%
12	83.37%
13	79.73%
14	75.85%
15	71.72%
16	67.32%
17	62.63%
18	57.63%
19	52.31%
20	46.63%
21	40.59%
22	34.16%
23	27.30%
24 and thereafter	20.00%

EXHIBIT B
(to Lease Agreement)

GROUP B EQUIPMENT

Periodic Rent Payment Date No.	Casualty Value Payable with respect to a Group B Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
Periodic Rent Commencement Date	108.21%
1	106.94%
2	105.96%
3	104.92%
4	103.81%
5	102.61%
6	101.34%
7	99.97%
8	98.51%
9	96.95%
10	95.28%
11	93.50%
12	91.59%
13	89.56%
14	87.39%
15	85.07%
16	82.41%
17	79.57%
18	76.54%
19	73.31%
20	69.86%
21	66.18%
22	62.26%
23	58.08%
24	53.62%
25	48.87%
26	43.81%
27	38.41%
28	32.66%
29	26.53%
30 and thereafter	20.00%

GROUP C EQUIPMENT

Periodic Rent Payment Date No.	Casualty Value Payable with respect to a Group C Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
Periodic Rent Commencement Date	107.57%
1	107.01%
2	106.53%
3	106.01%
4	105.45%
5	104.85%
6	104.21%
7	103.51%
8	102.77%
9	101.97%
10	101.11%
11	100.19%
12	99.20%
13	98.15%
14	97.01%
15	95.80%
16	94.50%
17	93.11%
18	91.62%
19	90.03%
20	88.33%
21	84.85%
22	81.38%
23	77.91%
24	74.45%
25	70.99%
26	67.54%
27	64.10%
28	60.66%
29	57.23%
30	53.80%
31	50.39%
32	46.98%
33	43.58%
34	40.18%
35	36.80%
36	33.42%
37	30.05%
38	26.69%
39	23.34%
40 and thereafter	20.00%

GROUP D EQUIPMENT

Periodic Rent Payment Date No.	Casualty Value Payable with respect to a Group D Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
Periodic Rent Commencement Date	106.91%
1	106.56%
2	106.28%
3	105.99%
4	105.66%
5	105.32%
6	104.94%
7	104.53%
8	104.09%
9	103.61%
10	103.10%
11	102.55%
12	101.95%
13	101.31%
14	100.62%
15	99.89%
16	99.09%
17	98.24%
18	97.33%
19	96.35%
20	95.30%
21	94.17%
22	92.96%
23	91.67%
24	90.29%
25	89.06%
26	87.74%
27	86.33%
28	84.82%
29	83.20%
30	81.47%
31	79.62%
32	77.65%
33	75.53%
34	73.28%
35	70.86%
36	68.29%
37	65.54%

GROUP D EQUIPMENT (cont'd)

Periodic Rent Payment Date No.	Casualty Value Payable with respect to a Group D Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
38	62.60%
39	59.47%
40	56.13%
41	52.56%
42	48.75%
43	44.70%
44	40.37%
45	35.75%
46	30.83%
47	25.59%
48 and thereafter	20.00%

SCHEDULE OF TERMINATION VALUE

TERMINATION VALUE: The following per cent of the Lessor's Cost of an Item of Equipment is to be paid on a Periodic Rent Payment Date pursuant to Section 13 of the Lease Agreement as a result of the Lessee terminating the Lease due to the obsolescense of an such Item depending upon when the Termination Value is paid:

GROUP A EQUIPMENT

Periodic Rent Payment Date No.	Termination Value Payable with respect to a Group A Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
21	54.01%
22	48.08%
23	41.75%
24	35.00%

EXHIBIT C
(to Lease Agreement)

GROUP B EQUIPMENT

Periodic Rent Payment Date No.	Termination Value Payable with respect to a Group B Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
21	77.51%
22	73.95%
23	70.14%
24	66.06%
25	61.71%
26	57.05%
27	52.07%
28	46.75%
29	41.07%
30	35.00%

GROUP C EQUIPMENT

Periodic Rent Payment Date No.	Termination Value Payable with respect to a Group C Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
21	96.00%
22	94.41%
23	94.70%
24	90.86%
25	88.88%
26	86.75%
27	84.48%
28	82.03%
29	79.41%
30	76.60%
31	73.59%
32	70.37%
33	66.92%
34	63.22%
35	59.27%
36	55.04%
37	40.52%
38	45.69%
39	40.52%
40	35.00%

GROUP D EQUIPMENT

Periodic Rent Payment Date No.	Termination Value Payable with respect to a Group D Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
21	102.35%
22	101.33%
23	100.23%
24	99.05%
25	98.01%
26	96.90%
27	95.69%
28	94.39%
29	93.00%
30	91.49%
31	89.87%
32	88.12%
33	86.25%
34	84.23%
35	82.07%
36	79.75%
37	77.26%
38	74.59%
39	71.73%
40	68.66%
41	65.38%
42	61.86%
43	58.10%
44	54.08%
45	49.78%
46	45.17%
47	40.26%
48	35.00%

(State of Wisconsin Investment Board)

SCHEDULE A

TO

ASSIGNMENT AND ASSUMPTION AGREEMENT

AFG TRUST 939

Name and Residence	Number of Units	Purchase Price	Investor Liability Amount*
William M. Shanahan 700 Pennsylvania #1401 Denver, CO 80203	22	$495,330.00	$15,495.47

*The lesser of the amount set forth below or the pro rata portion of the then outstanding principal balance under the Notes as provided in Exhibit I attached hereto.

WILLIAM M. SHANAHAN

CO-MAKER
POWER OF ATTORNEY

(AFG Leasing Venture No. 939)

KNOW ALL MEN BY THESE presents, that the undersigned ("Investor") a Co-Owner of an undivided beneficial interest in AFG Leasing Venture No. 939, a co-ownership program (herein called the "Program"), hereby make(s), constitute(s) and appoint(s) American Finance Group, Inc., a Massachusetts corporation and Program Manager of the Program, with full power of substitution, the true and lawful attorney-in-fact of the Investor and in the name of the Investor as a Co-Owner (i) to execute, deliver and/or assume personal liability as co-maker on the notes substantially on the terms and for the purposes listed and described in Exhibit A attached hereto (hereinafter called the "Notes"), to each respective lender making the loans to the Owner Trustees (under a Trust Agreement dated as of November 17, 1982) on behalf of the Co-Owner, as evidenced by the Notes, (ii) to execute and deliver on behalf of the Investor certain Assignment and Assumption Agreements relating to the Program among the Program Manager, the Owner Trustees and certain Secured Parties as Lenders (as hereinafter defined), and (iii) to execute and deliver by way of consent and acceptance each of those several Administration Agreements between each other Co-Owner and the Program Manager and each of those several Remarketing Agreements between each other Co-Owner and AFG Financial Services, Inc. The amount of the Notes which will be recourse to the Investor will be the "Investor Liability Amount" as hereinafter defined. The balance of the Notes will be non-recourse to the Investor.

The foregoing grant of authority shall be deemed to be a special power of attorney coupled with an interest and shall be subject to the following terms and conditions:

1. The Investor in conjunction with other investors is engaged in the business of owning and leasing capital equipment through the Owner Trustees. The Investors intend to purchase certain capital equipment (the "Equipment") and lease the Equipment (such Equipment and related leases collectively hereafter referred to as the "Collateral") to certain lessees and to incur borrowings aggregating approximately $1,808,871 from one or more institutional lenders to finance a portion of the purchase price of such Equipment. The terms of such borrowing will be substantially as described in the Private Placement Memorandum of the Program dated November 17, 1982 (the "Memorandum"). These borrowings are hereafter referred to as the "Loan" or, collectively, the "Loans." The lenders of the Loans are hereafter referred to as a "Lender" or, collectively, the "Lenders." Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Memorandum.

2. The Lenders and any subsequent holder of the Notes, the Program Manager and the parties to the Assignment and Assumption

Agreements, Administration Agreements and Remarketing Agreements are the beneficiaries of this Co-Maker Power of Attorney for assumption of personal liability (the "Beneficiaries").

3. In consideration of the Lenders' extensions of credit to the Owner Trustees on behalf of the Investors, the Investor hereby promises the Lenders that he will pay when due, by acceleration or otherwise, and further hereby assumes primary and personal liability for the prompt payment of, the principal, interest and costs relating to indebtedness of the Owner Trustees on behalf of the Investors held by the Lenders as evidenced by the Notes, and any and all renewals or extensions thereof, to an amount not exceeding in the aggregate at any time for each Investor such Investor's "Investor Liability Amount" of the unpaid principal balance of the recourse portion of each Note outstanding from time to time plus interest and other amounts payable thereunder.

4. The Investor's obligations and liabilities hereunder are those of a principal and not of a surety or guarantor and are not contingent upon similar undertakings by other Investors. The Investor will have no right of contribution from any person or entity for amounts paid as a result of this incurrence of personal liability. The Lenders may demand the Investor's performance in whole or in part without making similar demand against other Investors subject, however, to the limitations stated in Paragraph 3 above and subject to the terms and conditions set forth below:

(A) The Investor Liability Amount shall be $51,657 per Unit subscribed for, or the Investor's proportionate share of the remaining balance of the Notes, at any point in time, whichever is less, until the outstanding principal balance of the Loans is fully repaid.

(B) By acceptance of the Notes, the Lenders agree that, to the extent the Investor is required to make any payments to any Lender hereunder, the Investor shall be subrogated to the rights of such Lender with respect to the Collateral to the extent of the amount of such payments made and in that connection shall have, and shall be entitled to enforce, all of the rights and remedies of any Lender, as secured party, with respect to the Collateral, either in the name of the Investor or the Lender, but in any event solely on behalf of the Investor. The Investor's right of subrogation herein provided shall be pari passu with the rights of any other Investor who shall have executed an instrument with respect to the Program substantially similar to this instrument and shall have, pursuant to the terms of such instrument, become subrogated to the rights of the Lender with respect to the Collateral.

(C) This instrument is made pursuant to, and shall be governed by, the laws of the jurisdiction in which the Investor presently maintains his principal residence (or, if the Investor is a firm or corporation, the laws of the state in which the Investor maintains its principal place of business). The Lenders agree that any suit or proceeding commenced to enforce the provisions hereof shall be commenced and prosecuted only in a court located in the jurisdiction in which the Investor, at the time of the institution of such suit or proceeding, maintains his principal residence (or, in the case of a firm or corporation, its principal place of business) and nothing herein contained shall be deemed a consent by the Investor to commencement of or to the service of process on the Investor in connection with any suit or proceeding by any Lender in any other jurisdiction, any statute or rule of law applicable in such other jurisdiction to the contrary notwithstanding. No act or omission of the Investor, or any person, firm or corporation acting for or on behalf of the Investor, including, but not limited to, the appearance, special or general, by or on behalf of the Investor, in any suit or proceeding commenced by any Lender contrary to the provisions hereof shall render the Investor liable hereunder.

(D) This agreement shall inure to the benefit of, and shall be binding upon the Lenders, and any assignee of the rights of any such Lender under the Loan. This agreement shall remain in full force and effect from the date of disbursement of the Loan until such time as the Loan is fully repaid.

5. The Investor, and each of them if more than one, hereby covenant(s) on behalf of the Investor, and the Investor's heirs, executors, administrators, and other personal representatives, that all acts of the aforesaid attorney-in-fact shall be confirmed even if done after the death of the Investor, or any of them if more than one, or after revocation hereof, if done without written notice of such death or revocation; and covenant(s) with said attorney-in-fact that the Investor, and the Investor's legal representatives and estate, jointly and severally if there are more than one Investor, will indemnify and save said attorney-in-fact harmless from any and all loss, damage and costs that said attorney-in-fact may suffer or be put to by reason of any acts done or transactions entered into by said attorney-in-fact in good faith prior to the actual receipt by said attorney-in-fact of notice of the death of the Investor, or any of them if more than one, or of the revocation hereof.

IN WITNESS WHEREOF, undersigned (has) (have) executed this Power of Attorney under seal on this 24th day of NOVEMBER, 1982.

Signature: _____
(INVESTOR)

Address: 700 PENNSYLVANIA # 1-101
DENVER, CO 80203

Signature: _____
(CO-INVESTOR)

Address: _____

ACKNOWLEDGEMENT

State of COLORADO)
) ss.
County of DENVER)

On this 24th day of NOVEMBER, 1982 before me personally appeared WILLIAM M. SHAPMAN, to me known to be the person(s) described in and who executed the foregoing instrument and acknowledged that (he) (she) (they) executed the same as (his) (her) (their) free act and deed.

_____
Notary Public

My Commission Expires: _____

The undersigned hereby accepts the foregoing appointment this _____ day of _____, 1982.

PROGRAM MANAGER:
AMERICAN FINANCE GROUP, INC.

By: Jacqueline A. Panasuk

JACQUELINE A. PANASUK
Name

MANAGER, FINANCE
Title

Dated: _____

EXHIBIT A

Lender	Funding Date	Interest Rate	No. of Payments	Original Principal Balance	Periodic Payment Amount	Recourse Liability per Unit	Maturity Date

The terms of the Notes shall be substantially as described in the Private Placement Memorandum dated November 17, 1982.

SCHEDULE B
TO
ASSIGNMENT AND ASSUMPTION AGREEMENT

DESCRIPTION OF EQUIPMENT

Group C-3

Description of Item	Seller	Group	Serial No.	Lessor's Cost**	Place of Delivery and Location
Terex 33-05B Hauler	*	C-3	68341	$ 150,900	Lone Star, Tx
Renner RHP60 Straddle Crane	*	C-3	60RHP024	220,200	Lone Star, Tx
New Slug Locomotive	*	C-3	TN3	248,000	Lone Star, Tx
	Total Lessor's Cost			$ 619,100	

* Seller for each item of equipment listed and described above is First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982.

** Lessor's Cost shall also mean the cost to the Owner Trustees, defined as First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under Trust Agreement for "AFG Leasing Venture No. 939" dated as of November 17, 1982.

SCHEDULE B

TO

ASSIGNMENT AND ASSUMPTION AGREEMENT

(Cont'd)

That portion of the purchase price of the equipment not expected to be funded from the mortgage proceeds:	$ 91,616.98
Total purchase price:	$ 619,100.00
Interim Rent Rate and Amount:	See Section 3(a) of the Lease.
Lease Term:	Ten years.
Periodic Rent Amount	
First 20 Payments:	$ 23,106.05
Last 20 Payments:	$ 28,164.72
Periodic Rent Payment Dates:	April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993.

SCHEDULE D

RECORDATION NO. 13826 Filed 1425

OCT 28 1982 3 00 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of September 30, 1982

From

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and ROBERT S. CLARK,
as trustees under Lone Star Steel Company Trust No. 82-1

DEBTOR

To

STATE OF WISCONSIN INVESTMENT BOARD

SECURED PARTY

SECURITY AGREEMENT

Dated as of September 30, 1982

From

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and ROBERT S. CLARK,
as trustees under Lone Star Steel Company Trust No. 82-1

DEBTOR

To

STATE OF WISCONSIN INVESTMENT BOARD

SECURED PARTY

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Attachments to Security Agreement:

Schedule 1 - Amortization Schedules
Schedule 2 - Description of Equipment
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Exhibit A-2 - Form of Secured Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of September 30, 1982 (the "Security Agreement") is from FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between them and AMERICAN FINANCE GROUP, INC., a Massachusetts corporation (the "Trustor"), with Debtor's post office address being 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Division - Corporate Trust Department, to STATE OF WISCONSIN INVESTMENT BOARD (the "Secured Party"), whose post office address is 201 East Washington Avenue, P.O. Box 7842, Madison, Wisconsin 53707, Attention: Investment Director - Private Placements.

R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of September 30, 1982 (the "Participation Agreement") with Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), Trustor, Unionmutual Stock Life Insurance Co. of America (referred to collectively with the Secured Party as the "Note Purchasers") providing for the commitment of the Secured Party to purchase on the date therein provided:

> (i) the 14.25% Secured Notes due 1983-1993 (the "Series C Notes") of the Debtor in the aggregate principal amount of $2,069,631.71, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty (40) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993;
>
> (ii) and the 14.25% Secured Notes due 1983-1995 (the "Series D Notes") of the Debtor in the aggregate principal amount of $3,359,501.07, to bear interest

at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as defined in the Participation Agreement) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty-eight (48) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 attached hereto and made a part hereof, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, April 3 and January 3 thereafter to and including January 3, 1995;

and to be otherwise substantially in the form attached hereto as Exhibit A-1 (herein called the "Registered Notes") or Exhibit A-2 (herein called the "Order Notes"), as appropriate. The Series C Notes and the Series D Notes are hereinafter collectively referred to as the "Notes".

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, and 1.2 hereof, subject always to those limitations set forth in Section 1.3 hereof and to Excepted Rights in Collateral

as defined in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the items of equipment described in Schedule 2 attached hereto and made a part hereof (collectively, the "Equipment" and, individually, an "Item" or "Item of Equipment") constituting Equipment leased and delivered under the Lease Agreement dated as of September 30, 30, 1982, together with all supplements and amendments thereto (the "Lease") between the Debtor, as lessor, and Lone Star Steel Company, a Texas corporation (the "Lessee"), as lessee, together with all accessories, equipment, parts, appurtenances and other equipment from time to time belonging to, or owned by, the Debtor (and not owned by the Lessee pursuant to the terms of the Lease) and appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease insofar as it relates but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D (the "Assigned Lease Supplements") and of the Debtor as assignee of the Lessee in, to and under Sublease Agreement No. 1 dated as of September 30, 1982, together with all supplements and amendments thereto ("Sublease No. 1") between the Lessee, as sublessor, and Philadelphia and Reading Corporation, a New York corporation (the "Sublessee"), as sublessee insofar as it relates, but only insofar as it relates, to the Equipment described above, constituting all the Equipment covered by Lease Supplement Nos. 1C and 1D to Sublease No. 1 (the "Assigned Sublease Supplements"), including all extensions of the term of the Lease and of Sublease No. 1, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease and of the Debtor as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, including, without limitation:

(a) the immediate and continuing right to receive and collect all interim and periodic rental, casualty value payments, termination value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Debtor, as lessor under the Lease or by the Debtor, as assignee of the Lessee under Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements, except those sums reserved as Excepted Rights in Collateral under Section 1.5 hereof;

(b) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or Sublease No. 1 or any provision of either thereof in every such case as they relate to the Assigned Lease Supplements and the Assigned Sublease Supplements; and

(c) the right to take such action upon the occurrence of an Event of Default under the Lease or Sublease No. 1, or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or Sublease No. 1, as the case may be, or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease or Sublease No. 1 in every such case as they relate to the Assigned Lease Supplements and Assigned Sublease Supplements;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.5 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all interim and periodic rental, casualty value and termination value payments and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged. The Secured Party agrees that all rights of the Secured Party in the Lease and Sublease No. 1 shall be limited to those rights relating to the Equipment described in the Assigned Lease Supplements and the Assigned Sublease Supplements, and that as set forth in Section 14 of the Lease and Section 14 of Sublease No. 1, the Lease and Sublease No. 1 shall be deemed to be separate and severable contracts with respect to each Lease Supplement, and Sublease No. 1 Supplement and any reference to the Lease or Sublease No. 1 herein shall be deemed to refer only to the Secured Party's rights with respect to the Assigned Lease Supplements and Assigned Sublease Supplements.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, (b) the right, title and interest of the Sublessee in and to the Equipment under Sublease No. 1 so long as no Event of Default,

or any event with which the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, (c) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, and (d) liens and charges permitted by Section 10 of the Lease and Section 10 of Sublease No. 1 (collectively "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise this Security Agreement shall remain in full force and effect.

1.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 5 and 6 of the Lease or Section 5 and 6 of Sublease No. 1 or repayments or interest thereon which by the terms of any of such sections of the Lease or Sublease No. 1, as the case may be, are payable to or for the benefit of the Debtor for its own account or the Trustor for its own account;

(b) all rights of the Debtor under the Lease or Sublease No. 1 or in law to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Sublessee due the Debtor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 16 of the Lease or in Section 16 of Sublease No. 1 except those contained in Section 16(b)(i) of each thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 7 of the Lease or by the Sublessee pursuant to Section 7 of Sublease No. 1 which by the terms of such policies or the terms of the Lease or

Sublease No. 1, as the case may be, are payable directly to or for the benefit of the Debtor for its own account or the Trustor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of its covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of its covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement), and no implied obligations or covenants on the part of the Debtor shall be read into this Security Agreement or any other of the Operative Agreements.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor, excepting only the lien of this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral arising by, through or under the Debtor not related to or connected with the ownership of the Equipment or any transaction pursuant to the Operative Agreements. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in

the rents and other sums due and to become due under the Lease and Sublease No. 1, the Debtor covenants and agrees that it will notify the Lessee and the Sublessee of the assignment hereunder and direct the Lessee and the Sublessee to make all payments of such rents and other sums due and to become due under the Lease and Sublease No. 1 other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct in writing.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor and which is not owned by the Lessee pursuant to the terms of the Lease shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease, all supplements thereto, Sublease No. 1 and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be required by law or requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel, this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or Sublease No. 1 (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or by Sublease No. 1 or any part thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any rental payment or any other sum under the Lease or Sublease No. 1 prior

to the date for payment thereof provided for by the Lease or Sublease No. 1, as the case may be, or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease or Sublease No. 1 in respect of the Equipment; or

(c) except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease and Sublease No. 1. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned to the Secured Party under Sections 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or Sublease No. 1 if the Debtor has actual knowledge of such event or condition.

2.9. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder, it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance

of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease, by the Sublessee under and subject to Sublease No. 1 and by any other person upon the terms and conditions permitted by the Lease or Sublease No. 1 shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Section 16 of the Lease or of Sublease No. 1 has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 13 of the Lease and of Sublease No. 1 upon receipt from the Lessee and the Sublessee of written notice designating the Item of Equipment in respect of which the Lease and Sublease No. 1 will terminate and the receipt from the Lessee or the Sublessee, as the case may be, of all sums payable for such Item of Equipment in compliance with Section 13 of the Lease and Sublease No. 1.

3.3. Release of Property upon Payment. So long as no Event of Default or no event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing hereunder to the knowledge of the Secured Party, the Secured Party shall, upon receipt of all principal and interest due for any Note as shall be in effect on such date, release those Items of Equipment then subject hereto which were financed with the proceeds of such Note. Following payment of all indebtedness hereby secured the Secured Party will upon the request of the Debtor, give written notice to the Lessee that the Secured Party's security interest hereunder has been terminated.

3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease and Sublease No. 1 in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee and the Sublessee under the Lease and Sublease No. 1 of the installments of interim or periodic rental under the Lease or Sublease No. 1 relating to the Equipment shall be applied first to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of interim or periodic rental which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee and the Sublessee of the casualty value or the termination value of any Item of Equipment pursuant to Section 13 of the Lease and Sublease No. 1 shall be applied by the Secured Party as follows:

(i) First, to the payment of any amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to subparagraph (b)(iii);

(ii) Second, in the event that such amounts constitute the termination value of an Item of Equipment pursuant to Section 13(e) of the Lease and Sublease No. 1, a premium equal to the applicable percentage of the principal amount of the Notes then to be prepaid as set forth below:

Series C Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	103.00%
1990	102.25%
1991	101.50%
1992	100.75%
1993	100.00%

Series D Notes

If Prepayment is Made During the 12 Month Period Ending January 2, in the Year	Applicable Premium
1989	105.00%
1990	104.00%
1991	103.00%
1992	102.00%
1993	101.00%
1994 and thereafter	100.00%

(iii) Third, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes of the series issued to finance a portion of the Lessor's Cost of such Item, so that each of the remaining installments of each Note of such series shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes of such series immediately prior to the prepayment; and

(iv) Fourth, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Lessor's Cost (as defined in the Participation Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Lessor's Cost of all Items of Equipment, as the case may be, then subject to the Lease and Sublease No. 1 and financed with the proceeds of the related series of Notes (including the Lessor's Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes of the related Series immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b)).

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee and the Sublessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Lessee and the Sublessee to reimburse the Lessee and the Sublessee, as the case may be, for expenditures made for such repair upon receipt by the Secured Party of (A) a written application signed by the President, the Treasurer or any Vice President of the Lessee and of the Sublessee for the payment of, or to reimburse the Lessee and the Sublessee, as the case may be, for the payment of, the costs of repairs and replacement parts (which application shall be accompanied by satisfactory evidence of such costs and evidence of such title to such replacement parts in the Debtor and a statement either that such repairs have been completed or that the proceeds will be used for such purpose and that such repairs will be completed within 180 days, or within such extended period as the Debtor and the Secured Party may approve or the proceeds not so used will be returned and that there is no Event of Default or event with which the lapse of time or giving of notice, or both, would constitute an Event of Default under the Lease or Sublease No. 1 which has occured and is continuing), and (B) a supplement hereto sufficient, as shown by an opinion of counsel satisfactory to the Secured Party, to grant a security interest in any additions to or substitutions for the Equipment or any part thereof to the Secured Party free and clear of all liens, claims and encumbrances, which opinion shall also cover the filing and/or recording of such supplement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(ii) If the insurance proceeds shall not have been released to the Lessee and the Sublessee pursuant to the preceding paragraph (i) within

180 days from the receipt thereof by the Secured Party, or if within such period the Lessee and the Sublessee shall have notified the Secured Party in writing that the Lease and Sublease No. 1 is to be terminated in respect of such Item of Equipment in accordance with the provisions of Section 13 of the Lease and Sublease No. 1, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (a) shall be released to or upon the order of the Debtor not later than the first business day following the receipt thereof.

4.2. Multiple Notes. If more than one Note of a series is outstanding at the time any such application is made, such application shall be made on all outstanding Notes of such series ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.3 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

4.4. Prepayments. Except to the extent provided for in this Section 4 of this Agreement, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity dates thereof.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise; provided that any

such failure shall not constitute an Event of Default hereunder if (y) payment is made within five days after notice from the Debtor, the Trustor or the Secured Party and (z) any such failure does not in aggregate amount constitute the third such failure or the second consecutive such failure to pay pursuant to this Section 5.1(a);

(b) An Event of Default (as defined in the Lease and as defined in Sublease No. 1) shall have occurred and be continuing under the Lease or Sublease No. 1;

(c) Default on the part of the Debtor or the Trustor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor or the Trustor under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for 30 days after the earlier of (y) written notice thereof from the Secured Party to the Debtor and the Trustor and (z) the date on which a "responsible officer" of the debtor or the Trustor (as hereinafter defined) shall have actual knowledge thereof; or

(d) Any representation or warranty on the part of the Debtor or the Trustor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease, Sublease No. 1 or the Participation Agreement, or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee or the Sublessee is obligated to discharge under Section 10 of the Lease or Sublease No. 1) shall be asserted against or levied or imposed upon the Collateral which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed or bonded in a manner satisfactory to the Secured Party in its sole discretion within 30 days after written notice from the Secured Party or the holder of any Note to the Debtor, the Trustor, the Lessee and the Sublessee demanding such discharge or removal thereof or bonding with respect thereto.

For purposes of this Section 5.1 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Debtor any corporate trust officer of the Debtor, who in the normal performance of his operational responsibilities would have knowledge of such matter and the requirements of this Security Agreement with respect thereto.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party by notice in writing to the Debtor declares the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor, the Lessee and the Sublessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any

place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease and of the Sublessee under Sublease No. 1, provided such persons are not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease or under Sublease No. 1, as the case may be, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

5.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation, appraisement or marshalling of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any;

and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

SECTION 6. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holders of the Notes and

their respective successors and assigns that this Security Agreement is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such trustees, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by First Security Bank of Utah, National Association or Robert S. Clark, or for the purpose or with the intention of binding First Security Bank of Utah, National Association or Robert S. Clark, personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Security Agreement is executed and delivered by First Security Bank of Utah, National Association and Robert S. Clark, solely in the exercise of the powers expressly conferred upon First Security Bank of Utah, National Association and Robert S. Clark, as trustees under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on First Security Bank of Utah, National Association or Robert S. Clark, personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association or Robert S. Clark, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as First Security Bank of Utah, National Association and Robert S. Clark, personally are concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; provided, however, that except as herein provided nothing contained in this Section 6 shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 hereof, and, provided, further, that nothing contained in this Section 6 shall be construed to limit the liability of First Security Bank of Utah, National Association, in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of this Security Agreement or to limit the liability of First Security Bank of Utah, National Association, for gross negligence or willful misconduct.

SECTION 7. MISCELLANEOUS.

7.1. Execution. The Notes shall be signed on behalf of the Debtor by any officer of the Debtor who, at the date

of the actual execution thereof, shall be a proper officer to execute the same.

7.2. Payment of the Notes. (a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds, in the case of the original Secured Party or any affiliate of the original Secured Party as provided in Schedule 2 of the Participation Agreement or as such Secured Party or affiliate shall otherwise designate, and in the case of any other holder of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor, the Lessee and the Sublessee from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 7.3 in the case of any holder of Registered Notes and at such address as such holder has furnished in writing to the Debtor, the Lessee and the Sublessee in the case of any holder of Order Notes. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Note agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

(b) All amounts constituting payment of the installments of rental under the Lease or Sublease No. 1 or Casualty Value or Termination Value pursuant to Section 13 of the Lease or Sublease No. 1 received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Registered Notes (herein called the "Register"). The names and addresses of the holders of the Registered Notes, the transfers of such Notes and the names and addresses of the transferees of all such Notes shall be registered in the Register.

7.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery. Each holder of an Order Note, by its acceptance thereof, agrees that if such holder shall sell or transfer such Note, such holder will notify the Debtor, the Lessee and the Sublessee of the name and address of the transferee, and such holder will prior to the delivery of such Note, make a notation on such Note of the date

to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof.

(b) The holder of any Registered Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Registered Note or Registered Notes in denominations not less than $100,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Registered Note or Registered Notes to such transferee; provided that if the then aggregate outstanding principal amount of the Registered Notes being transferred is less than $100,000, the denomination of such new Note or Notes may be in such lesser amount.

(c) The holder of any Order Note or any Registered Note may surrender such Note at the principal corporate trust office of the Debtor, accompanied by a written request for a new Note or Notes, either in the form of Registered Notes or in the form of Order Notes, or partly one and partly the other, in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of $100,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Order Note or Notes or Registered Note or Notes, as the case may be, in the denomination or denominations so requested and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(d) Any Note presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(f) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be reasonably required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party or any affiliate of the Secured Party, or a nominee thereof is the owner of any such lost, stolen or destroyed Note, then the affidavit of the President, Vice President, Treasurer or Assistant Treasurer of the Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of the Secured Party to indemnify the Debtor for any claims or action against it (and for its attorney's fees in connection therewith) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5. The New Notes.

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on

any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require from the person holding or to hold the same the payment of a sum to reimburse the Debtor for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor shall prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment.

7.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Owner. Any Order Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery, but the Debtor shall not be bound to recognize any person as the holder of an Order Note unless and until title thereto has been satisfactorily established. The person in whose name any Registered Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest

on such Registered Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Registered Note as the owner thereof without production of such Note.

7.8. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

7.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Debtor:	First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 79 South Main Street Salt Lake City, Utah 84111 Attention: Trust Division - Corporate Trust Department
If to the Secured Party:	Name, Address and Payment Instructions for Secured Party shall be as set forth in Schedule 2 to the Participation Agreement.
If to any holder of Notes:	At its address for notices set forth in the Register in the case of any holder of Registered Notes and at the address furnished to the Debtor in the case of any holder of Order Notes.

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

7.11. Release. The Secured Party shall surrender the Notes, marked cancelled, and shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been paid or discharged.

7.12. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois;

7.13. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.14. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and
ROBERT S. CLARK, as trustees
under Lone Star Steel Company
Trust No. 82-1

By _____
Its _____

_____(L.S.)
ROBERT S. CLARK, as trustee under
Lone Star Steel Company Trust No. 82-1

DEBTOR

STATE OF WISCONSIN INVESTMENT BOARD

By Kenneth E Colin
Its _____

KENNETH E. CODLIN, D[illegible]
STATE OF WISCONSIN [illegible]

SECURED PARTY

State of Wisconsin
County of Dane ss:

Personally came before me this 27th day of October 1982 Kenneth E. Codlin, Executive Director of the State of Wisconsin Investment Board, to me personally known, who by me being duly sworn, says that he is the Executive Director of the State of Wisconsin Investment Board; that said instrument was signed and sealed on behalf of said independent agency by authority of Wisconsin Statutes section 25.16(6); and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Board.

George W. Crownhart
Notary Public
State of Wisconsin
My commission is permanent

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

7.11. Release. The Secured Party shall surrender the Notes, marked cancelled, and shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been paid or discharged.

7.12. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois;

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IN WITNESS WHEREOF, the Debtor and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION and
ROBERT S. CLARK, as trustees
under Lone Star Steel Company
Trust No. 82-1

By _____
Its ASSISTANT TRUST OFFICER

_____ (L.S.)
ROBERT S. CLARK, as trustee under
Lone Star Steel Company Trust No. 82-1

DEBTOR

STATE OF WISCONSIN INVESTMENT BOARD

By _____
Its _____

SECURED PARTY

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 29th day of October, 1982, before me personally appeared Randy R. Marchant, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires: 8-13-85

STATE OF UTAH)
) SS
COUNTY SALT LAKE)

On this 29th day of October, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

Notary Public

[NOTARIAL SEAL]

My Commission Expires: 8-13-85

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES C NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	16553.78	24541.67	41095.45
1	April 3, 1983	8282.00	35035.27	43317.27
2	July 3, 1983	8577.04	34740.23	43317.27
3	October 3, 1983	8882.60	34434.67	43317.27
4	January 3, 1984	9199.04	34118.23	43317.27
5	April 3, 1984	9526.76	33790.51	43317.27
6	July 3, 1984	9866.15	33451.12	43317.27
7	October 3, 1984	10217.63	33099.64	43317.27
8	January 3, 1985	10581.63	32735.64	43317.27
9	April 3, 1985	10958.60	32358.67	43317.27
10	July 3, 1985	11349.00	31968.27	43317.27
11	October 3, 1985	11753.31	31563.96	43317.27
12	January 3, 1986	12172.02	31145.25	43317.27
13	April 3, 1986	12605.65	30711.62	43317.27
14	July 3, 1986	13054.73	30262.54	43317.27
15	October 3, 1986	13519.80	29797.47	43317.27
16	January 3, 1987	14001.45	29315.82	43317.27
17	April 3, 1987	14500.25	28817.02	43317.27
18	July 3, 1987	15016.82	28300.45	43317.27
19	October 3, 1987	15551.79	27765.48	43317.27
20	January 3, 1988	16105.83	27211.44	43317.27
21	April 3, 1988	26270.97	26637.67	52908.64
22	July 3, 1988	27206.87	25701.77	52908.64
23	October 3, 1988	28176.11	24732.53	52908.64
24	January 3, 1989	29179.89	23728.75	52908.64
25	April 3, 1989	30219.42	22689.22	52908.64
26	July 3, 1989	31295.99	21612.65	52908.64
27	October 3, 1989	32410.91	20497.73	52908.64
28	January 3, 1990	33565.55	19343.09	52908.64
29	April 3, 1990	34761.32	18147.32	52908.64
30	July 3, 1990	35999.69	16908.95	52908.64
31	October 3, 1990	37282.18	15626.46	52908.64
32	January 3, 1991	38610.36	14298.28	52908.64
33	April 3, 1991	39985.85	12922.79	52908.64
34	July 3, 1991	41410.35	11498.29	52908.64
35	October 3, 1991	42885.59	10023.05	52908.64
36	January 3, 1992	44413.39	8495.25	52908.64
37	April 3, 1992	45995.62	6913.02	52908.64
38	July 3, 1992	47634.21	5274.43	52908.64
39	October 3, 1992	49331.18	3577.46	52908.64
40	January 3, 1993	51088.67	1820.03	52908.70
		1000000.00	965613.71	1965613.71

SCHEDULE 1
(to Security Agreement)

AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

SERIES D NOTES

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
	January 3, 1983	17054.02	24541.67	41598.69
1	April 3, 1983	5321.40	35017.45	40338.85
2	July 3, 1983	5510.87	34827.88	40338.85
3	October 3, 1983	5707.30	34631.55	40338.85
4	January 3, 1984	5910.62	34428.23	40338.85
5	April 3, 1984	6121.19	34217.66	40338.85
6	July 3, 1984	6339.26	33999.59	40338.85
7	October 3, 1984	6565.09	33773.76	40338.85
8	January 3, 1985	6798.97	33539.88	40338.85
9	April 3, 1985	7041.19	33297.66	40338.85
10	July 3, 1985	7292.03	33046.82	40338.85
11	October 3, 1985	7551.81	32787.04	40338.85
12	January 3, 1986	7820.84	32518.01	40338.85
13	April 3, 1986	8099.46	32239.39	40338.85
14	July 3, 1986	8388.00	31950.85	40338.85
15	October 3, 1986	8686.82	31652.03	40338.85
16	January 3, 1987	8996.29	31342.56	40338.85
17	April 3, 1987	9316.78	31022.07	40338.85
18	July 3, 1987	9648.70	30690.15	40338.85
19	October 3, 1987	9992.43	30346.42	40338.85
20	January 3, 1988	10348.41	29990.44	40338.85
21	April 3, 1988	10717.07	29621.78	40338.85
22	July 3, 1988	11098.87	29239.98	40338.85
23	October 3, 1988	11494.27	28844.58	40338.85
24	January 3, 1989	11903.75	28435.10	40338.85
25	April 3, 1989	21274.45	28011.03	49285.48
26	July 3, 1989	22032.35	27253.13	49285.48
27	October 3, 1989	22817.26	26468.22	49285.48
28	January 3, 1990	23630.12	25655.34	49285.48
29	April 3, 1990	24471.94	24813.54	49285.48
30	July 3, 1990	25343.76	23941.72	49285.48
31	October 3, 1990	26246.63	23038.85	49285.48
32	January 3, 1991	27101.66	22103.82	49285.48
33	April 3, 1991	28150.01	21135.47	49285.48
34	July 3, 1991	29152.85	20132.63	49285.48
35	October 3, 1991	30191.43	19094.05	49285.48
36	January 3, 1992	31266.99	18018.49	49285.48
37	April 3, 1992	32380.88	16904.60	49285.48
38	July 3, 1992	33534.45	15751.03	49285.48
39	October 3, 1992	34729.12	14556.36	49285.48
40	January 3, 1993	35966.34	13319.14	49285.48

SCHEDULE 1
(to Security Agreement)

SERIES D NOTES - (continued)

Number of Installment	Payment Date	Portion Allocated to Principal	Portion Allocated to Interest	Total Payment
41	April 3, 1993	37247.64	12037.84	49285.48
42	July 3, 1993	38574.59	10710.89	49285.48
43	October 3, 1993	39948.81	9336.67	49285.48
44	January 3, 1994	41371.98	7913.50	49285.48
45	April 3, 1994	42845.86	6439.62	49285.48
46	July 3, 1994	44372.25	4913.23	49285.48
47	October 3, 1994	45953.01	3332.47	49285.48
48	January 3, 1995	47590.08	1695.40	49285.48
		1000000.00	1192579.61	2192579.61

DESCRIPTION OF EQUIPMENT

Group C

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Terex 33-05B Hauler	Lone Star	C	68341	$ 150,900	Lone Star, Tx	See Schedule B attached hereto
Rebuilt Super-switcher (3)	T&N Railroad	C	TN55/56/57	1,070,000	Lone Star, Tx	
Renner RHP60 Straddle Crane	Lone Star	C	60RHP024	220,200	Lone Star, Tx	
New 1800HP Locomotive	T&N Railroad	C	TN996	740,000	Lone Star, Tx	
New Slug Locomotive	T&N Railroad	C	TN3	248,000	Lone Star, Tx	
	Total Lessor's Cost			$2,429,100		

DESCRIPTION OF EQUIPMENT

Group D

Description of Item	Seller	Group	Serial No.	Lessor's Cost	Place of Delivery and Location	Re-Lease Values
Rebuilt 70 Ton Hoppers (68)	T&N Railroad	D	TN5020 through TN5087, both inclusive	$2,176,000	n/a	See Schedule B attached hereto
Rebuilt 100 Ton Gondolas (10)	T&N Railroad	D	TN8013 through TN8022, both inclusive	370,000	n/a	
Rebuilt 70 Ton Hoppers (40)	T&N Railroad	D	TN5088 through TN5127, both inclusive	1,360,000	n/a	
Ford Fire Apparatus	Lone Star	D	DYD80V8B VJ17283	85,000	Lone Star, Tx	
Total Lessor's Cost				$3,991,000		

SCHEDULE 2
(to Security Agreement)

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or registered assigns, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder

hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not

as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____ (L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
LONE STAR STEEL COMPANY TRUST NO. 82-1

SECURED NOTE

No.

$ _____, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of September 30, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), promises to pay to

or order, the principal sum of

DOLLARS ($)

together with interest from the date hereof until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including the date of this Note to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) [See Note 1] installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which

at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark, hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein

contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2, 3.4 and 9.6 of the Participation Agreement or in the second sentence of Section 2.2 of the Security Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under Lone Star Steel Company Trust No. 82-1

By _____

_____ (L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

Note 1

The provision in the Series C Notes will read "forty (40)" and the provision in the Series D Notes will read "forty-eight (48)".

EXHIBIT E

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK,
AS TRUSTEES UNDER
TRUST AGREEMENT DATED AS OF NOVEMBER __, 1982

SECURED NOTE

No.

$ December ___, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement dated as of November ___, 1982 (the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), and the individuals whose names are next on Schedule A hereto as beneficiaries under the Trust Agreement (the "Beneficiaries") promise to pay to

STATE OF WISCONSIN INVESTMENT BOARD

or registered assigns, the principal sum of

together with interest from November 1, 1982 (none of which interest has been paid as of the date hereof), until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $_____, for the period from and including November 1, 1982 to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $_____, in each such case payable on January 3, 1983;

(ii) _____ (___) installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by

acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is issued under and pursuant to the Assignment and Assumption Agreement dated as of December ___, 1982, by and between First Security Bank of Utah, National Association and Robert S. Clark as trustees under the Trust Agreement dated as of September 30, 1982, the Debtor, and the beneficiaries under the Trust Agreement, and is one of the Secured Notes not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party"), as assigned and assumed pursuant to the Assignment and Assumption Agreement, and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party (but only to the extent such Security Agreement has been assigned and assumed pursuant to the Assignment and Assumption Agreement). Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement, including the Assignment and Assumption Agreement (but only as assigned and assumed by the Assignment and Assumption Agreement or if executed by the Debtor), for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Note and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note under the Security Agreement. The Debtor agrees to make the required prepayments on the Note in accordance with the provisions of the Security Agreement, as it relates to this Note.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Note may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Assignment and Assumption Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement (but only as assigned and assumed by the Assignment and Assumption Agreement) and to the obligations of the Beneficiaries pursuant to Section 4 of the Assignment and Assumption Agreement but only to the extent set forth therein, by reference to Schedule A thereto and as set forth in Schedule A hereto, for the performance of any obligation under this Note and the Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2 and 9.6 of the Participation Agreement as assigned by the Assignment and Assumption Agreement or in the second sentence of

Section 2.2 of the Security Agreement as assigned by the Assignment and Assumption Agreement or to limit the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under that Trust Agreement dated as of November ___, 1982

By: _____

_____(L.S.)
ROBERT S. CLARK, as trustee under that Trust Agreement dated as of November ___, 1982

BENEFICIARIES:

Each of the persons named in the Schedule A hereto, whose names with the respective percentage set forth opposite thereto on said Schedule A are by this reference hereby incorporated herein as truly as if set forth herein in full.

By: AMERICAN FINANCE GROUP, INC., as agent and attorney-in-fact under Co-Maker Powers of Attorney attached hereto as Exhibit 1 to Schedule A hereof

By:_____

Title:_____

Date:_____

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SCHEDULE F

PARTICIPATION AGREEMENT

Dated as of September 30, 1982

Among

PHILADELPHIA AND READING CORPORATION

SUBLESSEE

AMERICAN FINANCE GROUP, INC.

TRUSTOR

STATE OF WISCONSIN INVESTMENT BOARD

and

UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA

NOTE PURCHASERS

and

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, individually and as trustee
and
ROBERT S. CLARK, as trustee

OWNER

(Lone Star Steel Company Trust No. 82-1)

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ATTACHMENTS TO PARTICIPATION AGREEMENT:

Schedule 1 - Name, Address and Proportional Share of Trustor

Schedule 2 - Name, Address and Maximum Commitment of Note Purchasers

Exhibit A - Acquisition Agreement

Exhibit B - Lease Agreement

Exhibit C - Security Agreement

Exhibit D - Sublease No. 1 Agreement

Exhibit E - Certificate of the Sublessee

Exhibit F - Description of Opinion of Counsel for the Sublessee

Exhibit G - Description of Opinion of Counsel for the Lessee

Exhibit H - Description of Opinion of Counsel for the Trustor

Exhibit I - Description of Opinion of Special Counsel for the Note Purchasers

Exhibit J - Description of Opinion of Counsel for the Owner

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT dated as of September 30, 1982 is among PHILADELPHIA AND READING CORPORATION, a New York corporation (the "Sublessee"), AMERICAN FINANCE GROUP, INC., a Massachusetts corporation (the "Trustor"), FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, individually and as trustee (the "Corporate Owner") and ROBERT S. CLARK, as individual trustee (together with the Corporate Owner, the "Owner") under the Trust Agreement referred to below and STATE OF WISCONSIN INVESTMENT BOARD and UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA (collectively the "Note Purchasers"). The Trustor and the Note Purchasers are herein sometimes referred to collectively as the "Participants" and individually as a "Participant".

R E C I T A L S:

A. Operative Agreements. The Owner and the Trustor have entered into a Trust Agreement dated as of September 30, 1982, as from time to time supplemented, amended, replaced or substituted for (the "Trust Agreement"), and, pursuant to the authorizations and directions contained in the Trust Agreement, the Owner has entered into or proposes to enter into:

(1) an Acquisition Agreement in the form attached hereto as Exhibit A, as it may be supplemented or amended (the "Acquisition Agreement") between the Owner and Lone Star Steel Company, a Texas corporation (the "Lessee") and the other sellers named in the Acquisition Agreement (the "Sellers"), providing for the purchase by the Owner of the Equipment from the Lessee and the Sellers;

(2) a Lease Agreement in the form attached hereto as Exhibit B, as it may be supplemented or amended (the "Lease") between the Owner, as lessor, and the Lessee, as lessee, providing for the lease of the Equipment to the Lessee; and

(3) separate Security Agreements substantially in the form attached hereto as Exhibit C with appropriate insertions, as from time to time supplemented, amended replaced or substituted for (the "Security Agreements") from the Owner to each Note Purchaser, respectively, granting a security interest in the Owner's interest in and to the Equipment described in such Security Agreement (subject to the rights of the Lessee under the Lease and of the sublessee under Sublease No. 1, as such term is hereinafter defined) and in and to the

Lease and Sublease No. 1 and the rents and certain of the other sums due and to become due thereunder to the extent set forth in such Security Agreements.

The Lessee has entered into or proposes to enter into a Sublease Agreement No. 1 dated as of September 30, 1982, substantially in the form attached hereto as Exhibit D, between the Lessee, as sublessor, and the Sublessee, as sublessee (Sublease Agreement No. 1, as it may be supplemented or amended, hereinafter referred to as "Sublease No. 1"). The Trust Agreement, this Participation Agreement, the Acquisition Agreement, the Lease, the Security Agreements and Sublease No. 1 are hereinafter sometimes referred to as the "Operative Agreements".

B. Investment of Participants. On or prior to September 30, 1982 the Trustor advanced to the Owner for payment to the Lessee an amount which is no less than that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	11.9837%
Group B	12.8762%
Group C	14.7984%
Group D	15.8231%

The balance of the Lessor's Cost of the Equipment will be financed by the issue and sale of the Notes of the Owner to the Note Purchasers, all subject to the limitations and on the terms and conditions hereinafter set forth.

SECTION 1. INTERPRETATION OF THIS AGREEMENT.

1.1. Definitions. The following terms shall have the following meanings for all purposes of this Agreement:

"Acquisition Agreement" is defined in Recital A(1) hereof.

"Beneficial Interest" shall mean the interest of the Trustor under the Trust Agreement and any and all interests of any beneficiairies under each and every trust agreement constituting a replacement of or substitution for the Trust Agreement.

"Closing Date" is defined in Section 2.3 hereof.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Equipment" shall mean all, and "Item of Equipment" shall mean each, of the items of equipment described in the Lease Supplements executed by the Owner and the Lessee. "Group A Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 6 years. "Group B Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 7.5 years. "Group C Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 10 years. "Group D Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and have a Lease Term of 12 years.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Interests" shall mean the Beneficial Interest and the Notes, collectively, and "Interest" shall mean the Beneficial Interest or a Note, individually.

"Lease" is defined in Recital A(2) hereof.

"Lease Supplement" shall have the meaning set forth in Section 1 of the Lease.

"Lease Term" shall have the meaning set forth in Section 1 of the Lease.

"Lessor's Cost" of the Equipment shall mean $9,580,685. "Lessor's Cost" of the Group A Equipment shall mean $1,783,310. "Lessor's Cost" of the Group B Equipment shall mean $1,377,275. "Lessor's Cost" of the Group C Equipment shall mean $2,429,100. "Lessor's Cost" of the Group D Equipment shall mean $3,991,000.

"Note Purchasers" shall mean State of Wisconsin Investment Board and Unionmutual Stock Life Insurance Co. of America and their respective successors and assigns hereunder and under the Security Agreements, including any other from time to time holders of the Notes.

"Notes" is defined in Section 2.2(a) hereof.

"Operative Agreements" is defined in Recital A hereof.

"Owner" shall mean the Corporate Owner and Robert S. Clark as trustees under the Trust Agreement and their respective successors and assigns thereunder, including any transferee or transferees of all or any part of their right, title and interest in and to the Trust Estate.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Permitted Encumbrances" shall mean the Security Agreement and all other liens and encumbrances permitted under Section 1.3 thereof.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Security Agreements" is defined in Recital A(3) hereof.

"Sellers" is defined in Recital A(1) hereof.

"Sublease No. 1" is defined in the Recitals.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement dated as of September 30, 1982 between the Sublessee and the Trustor, as it may be supplemented or amended from time to time.

"Trust Agreement" is defined in Recital A hereof.

"Trust Estate" shall have the meaning specified in the Trust Agreement and shall include any part or portion thereof constituting a Trust Estate under any Trust Agreement.

1.2. Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

SECTION 2. COMMITMENTS OF THE PARTICIPANTS.

2.1. Commitment of the Trustor. (a) Advance in Respect of Lessor's Cost of Equipment. The Trustor has advanced and provided for payment to the Lessee an amount which is no less than that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	11.9837%
Group B	12.8762%

Equipment	Percentage of Lessor's Cost
Group C	14.7984%
Group D	15.8231%

(b) Ownership of Beneficial Interest. The name and address of the Trustor is set forth in Schedule 1 hereto. The Trustor owns the entire undivided Beneficial Interest in the Trust Estate under the Trust Agreement.

2.2. Issue and Sale of Notes. (a) The Notes. In order to finance the balance of the Lessor's Cost of the Equipment, the Owner proposes to issue and sell:

(i) its 13.875% Secured Notes due 1983-1989 (the "Series A Notes") in the aggregate principal amount of $1,569,603.35, to bear interest at the rate of 13.875% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 1, 1983, followed by twenty-four (24) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1989;

(ii) its 13.875% Secured Notes due 1983-1990 (the "Series B Notes") in the aggregate principal amount of $1,199,934.08, to bear interest at the rate of 13.875% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 1, 1983, followed by thirty (30) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including July 3, 1990;

(iii) its 14.25% Secured Notes due 1983-1993 (the "Series C Notes") in the aggregate principal amount of $2,069,631.71, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty (40) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993;

(iv) its 14.25% Secured Notes due 1983-1995 (the "Series D Notes") in an aggregate principal amount of $3,359,501.07, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty-eight (48) consecutive quarterly installments including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995;

and to be otherwise substantially in the form (with appropriate insertions) attached to the Security Agreement as Exhibit A. Interest on all Notes shall be computed on the basis of a 360-day year of twelve 30-day months and each Note shall be dated the date of issue. The term "Notes" as used herein shall include each Series A, Series B, Series C and Series D Note delivered pursuant to this Agreement or the Security Agreement.

(b) Commitments of Note Purchaser. Subject to fulfillment of the terms and conditions of the Operative Agreements and on the basis of the representations and warranties hereinafter set forth, the Owner agrees to issue and sell to the Note Purchasers, and the Note Purchasers agree to purchase from the Owner, on the Closing Date hereinafter provided for, Notes of the Owner at a price of 100% of the principal amount thereof equal to that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	88.0163%
Group B	87.1238%
Group C	85.2016%
Group D	84.1769%

provided that the aggregate principal amount of all Notes to be purchased hereunder shall not exceed $8,300,000, and provided further that the principal amount of each series of Notes to be purchased hereunder shall not exceed the following amounts:

Series of Notes	Maximum Amount
Series A and Series B Notes	$2,800,000
Series C and Series D Notes	$5,500,000

The series of Notes to be purchased by each Note Purchaser is as set forth in Schedule 2 hereto. The Notes delivered to the Note Purchasers on the Closing Date will be typewritten in the form of a single Note for each series payable to the order of the Note Purchaser purchasing the Series A and Series B Notes in the case of such Notes and registered in the name of the Note Purchaser purchasing the Series C and Series D Notes in the case of such Notes.

(c) Security for the Notes. The Notes will be issued under and secured by the Security Agreements, each of which creates a valid and perfected first security interest in the Equipment therein described, the right, title and interest of the Owner, as lessor under the Lease (subject to the right, title and interest of the Lessee under the Lease) insofar as the same relates to such Equipment and the right, title and interest of the Owner, as assignee of the Lessee, as sublessor under Sublease No. 1 (subject to the right, title and interest of the Sublessee under Sublease No. 1) insofar as the same relates to such Equipment, and provides for a present assignment of rentals and certain other sums due and to become due under the Lease and Sublease No. 1 payable with respect to such Equipment with the right and privilege to apply such rentals and other sums to the payment or prepayment of the Notes (subject to the Excepted Rights in Collateral set forth in Section 1.5 of the Security Agreements).

(d) Failure to Deliver. If on the Closing Date, the Owner fails to tender to the Note Purchasers the Notes to be purchased by the Note Purchasers or if the conditions to the obligations of the Note Purchasers specified in Section 4 hereof have not been

2.6. Expenses. If the transactions contemplated by this Agreement are consummated, the Trustor will pay the following expenses relating to the closing of the transactions contemplated by the Operative Agreements:

(a) the cost of reproducing the Operative Agreements and the Notes;

(b) on the Closing Date, the disbursements, expenses and reasonable fees of Messrs. Chapman and Cutler, special counsel for the Note Purchasers;

(c) on the Closing Date, the reasonable fees of Hunter, Keith, Marshall & Co., Incorporated for arranging the financing to be provided by the Note Purchasers;

(d) the cost of delivering to the home office of each Note Purchaser insured to the satisfaction of such Note Purchaser, the Notes purchased by such Note Purchaser on the Closing Date;

(e) fees and expenses of the Owner as trustee under the Trust Agreement; and

(f) fees and expenses of the Note Purchasers with respect to any consents, waivers or amendments to any of the Operative Agreements requested by the Owner or Trustor.

If no part of the transactions contemplated by this Agreement are consummated, the Sublessee agrees to pay such of the above-described expenses as have been actually incurred. Without limiting the foregoing, the Sublessee agrees to pay the fees and expenses of the Note Purchasers with respect to any consents, waivers or amendments to any of the Operative Agreements requested by any Person other than the Owner or the Trustor.

2.7. Substitution of Note Purchasers. If for any reason the Note Purchasers shall fail to purchase the Notes to be issued on the Closing Date, the Sublessee shall promptly use its best efforts to designate an alternative institutional investor or investors (as such term is defined in the Lease) (the "Substitute Purchasers") to be substituted for the Note Purchasers; provided that such Substitute Purchasers shall not be members of the Lessee Group (as such term is defined in Internal Revenue Service Revenue Procedure 75-21) and shall execute and deliver an amendment hereto in form and substance satisfactory to the Trustor, the Owner, the Sublessee and such Substitute Purchasers pursuant to which the Substitute Purchasers shall confirm their obligation to be bound by the terms hereof, including without limitation the obligations of the Note Purchasers hereunder. In the event that the interest rate payable in respect of the Notes to be

purchased by the Substitute Purchasers is other than as provided herein, the Sublessee agrees with the Owner and the Trustor to enter into an amendment of Sublease No. 1 and to cause the Lessee to enter into an amendment to the Lease adjusting (either upward or downward) the Periodic Rent rate and the Casualty and Termination Values (as such terms are defined in the Lease) payable in respect of each Item of Equipment to an amount (verified by independent auditors approved by the Sublessee whose calculations shall be submitted to the Sublessee) as shall cause the Trustor's Net Economic Return (computed on the same assumptions as were made by the Trustor in originally evaluating the transaction contemplated by this Participation Agreement) to equal the Trustor's Expected Net Economic Return (as such terms are defined in the Tax Indemnity Agreement). The Sublessee shall have 5 business days after receipt of the calculations to review adjustments in the Periodic Rent rate and Casualty and Termination Values and notify the Trustor in writing of any disagreement with respect thereto. On or before the expiration of such 5-day period, the Sublessee shall have the option to purchase the Equipment from the Owner at the purchase price contemplated by clauses (i), (ii) and (iv) of the next following paragraph of this Section 2.7.

In the event that (a) on or prior to November 15, 1982 no Substitute Purchaser has signed a commitment to purchase the Notes hereunder on or before December 1, 1982 or (b) on November 1, either Note Purchaser shall fail to purchase the Notes to be purchased thereby because of a material adverse change in the financial condition of the Sublessee, the Sublessee will repurchase the Equipment from the Owner for an amount equal to the sum of (i) the Lessor's Cost for the Equipment, (ii) interest on the portion of the Lessor's Cost of the Equipment provided by the Trustor in an amount equal to 11.9% for the period from and including September 30, 1982 to but not including the date of such repurchase (computed on the basis of actual days over a 360-day year), (iii) the out-of-pocket expenses of the Trustor (including legal fees) up to an amount of $25,000 and (iv) any interim interest paid by the Owner to Chemical Bank for interim financing of the Equipment, plus interest on such amount at the rate of 11.9% for the period from and including the date of payment of such interim interest to but not including the date of such repurchase of the Equipment. If on November 1, 1982 either Note Purchaser shall fail to purchase the Notes to be purchased thereby on account of any act or requirement of the Trustor, then the purchase price of the Equipment shall be as set forth above except that the Sublessee shall not be required to pay such out-of-pocket expenses of the Trustor.

In the event the Sublessee purchases the Equipment pursuant to this Section 2.7, such purchase shall be on on "as-is, where-is" basis and payment by the Sublessee shall be made in immediately available funds to the Owner for the account of the Trustor.

SECTION 3. WARRANTIES AND REPRESENTATIONS.

3.1. Warranties and Representations of the Trustor. The Trustor warrants and represents to the Note Purchasers and the Sublessee that:

(a) Trustor Organization and Authority; No Violation of Charter, By-laws, Indentures, etc. The Trustor (i) is a Massachusetts corporation duly organized, legally existing and in good standing under the laws of the Commonwealth of Massachusetts (ii) has full right, power and authority to enter into and perform the Operative Agreements to which it is a party and the performance or observance by the Trustor of any of its obligations thereunder does not violate any provisions of any law, any order of any court or governmental agency in proceedings to which the Trustor is a party, the Articles of Incorporation or By-laws of the Trustor, or any indenture, agreement or other instrument to which the Trustor is a party or by which it, or any of its property, may be bound, and will not be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Trust Estate other than Permitted Encumbrances.

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Trustor threatened, against or involving the Trustor in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would individually or in the aggregate materially and adversely affect the Equipment or the ability of the Trustor to enter into or perform the Operative Agreements to which it is a party.

(c) Title to the Trust Estate. The Trust Estate is free and clear of any liens or encumbrances which result from claims against the Trustor not related to the transactions contemplated by the Operative Agreements.

(d) No Defaults. To the knowledge of the Trustor, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under the Security Agreement has occurred and is continuing. The Trustor is not in violation in any material respect of any term of any of the Operative Agreements to which it is a party.

(e) Governmental Consent. No consent, approval or authorization of, or filing, registration or

qualification with, any governmental authority on the part of the Trustor is required in connection with the execution and delivery of the Operative Agreements to which it is a party.

(f) Execution of Agreements. The Operative Agreements to which the Trustor is a party have been duly authorized by all necessary action on the part of the Trustor and have been duly executed and delivered by the Trustor and constitute the legal, valid and binding obligations, contracts and agreements of the Trustor enforceable in accordance with their respective terms, except as such terms may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the availability of equitable remedies.

3.2. Warranties and Representations of the Owner. The Corporate Owner in both its individual and fiduciary capacities, warrants and represents to the Participants and the Sublessee that:

(a) Corporate Owner's Organization and Authority; No Violation of Charter, By-laws, Indentures, etc. The Corporate Owner (i) is a national banking association duly organized, legally existing and in good standing under the laws of the United States of America and has the power and authority under the laws of the United States of America and under the laws of the State of Utah to enter into and perform its obligations under the Trust Agreement and, acting as trustee thereunder, under this Participation Agreement, the Security Agreement, the Notes, and the Lease, and (ii) has full right, power and authority under the Trust Agreement to enter into and perform the Operative Agreements to which it is a party and to issue and deliver the Notes and the performance or observance by the Owner of any of its obligations hereunder or thereunder (in either its individual capacity or as such trustee, as provided for therein) will not be, inconsistent with its Charter or By-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to it under Federal banking law or the laws of the State of Utah, or any subdivision or agency thereof, and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or under Federal law or the laws of the State of Utah, or any subdivision or agency thereof, by any Federal, state or local

governmental authority or agency, except such as have been obtained, given or accomplished.

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Corporate Owner threatened, against or affecting the Corporate Owner in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would individually or in the aggregate materially and adversely affect the Trust Estate created by the Trust Agreement or the ability of the Corporate Owner to enter into or perform the Operative Agreements and to issue and deliver the Notes.

(c) Title to the Trust Estate. The Trust Estate is free and clear of any liens or encumbrances which result from claims against the Corporate Owner not related to the ownership of the Equipment or the adminisration of the Trust Estate under the Trust Agreement or the other Operative Agreements. The Corporate Owner has not by affirmative act conveyed title to the Trust Estate to any Person or subjected the Trust Estate to any lien or encumbrance other than Permitted Encumbrances.

(d) No Defaults. To the actual knowledge of a corporate trust officer of the Corporate Owner, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under the Security Agreement has occurred and is continuing. The Corporate Owner is not in violation in any material respect of any term of any of the Operative Agreements or the Notes.

3.3. Warranties and Representations of the Sublessee. The Sublessee warrants and represents to the Participants that the warranties and representations set forth in the form of Closing Certificate of the Sublessee attached hereto as Exhibit E are true and correct in all material respects on and as of the date hereof.

3.4. Private Offering. (a) The Owner warrants and represents to the other parties hereto that the Owner has not individually or in its fiduciary capacity directly or indirectly offered any of the Notes or the Beneficial Interest or any similar Security related to this transaction for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser.

(b) The Trustor warrants and represents to the other parties hereto that neither the Trustor nor any Person authorized or employed by the Trustor as agent or otherwise in connection with the placement of any Securities related to this transaction has offered any of the Notes or any similar Security of the Owner

related to this transaction for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser; nor has the Trustor or any Person authorized or employed by the Trustor as agent or otherwise in connection with the placement of any Security related to this transaction offered the Beneficial Interest or any similar Security related to this transaction for sale to or solicited offers to buy any thereof from, or otherwise approached or negotiated with, any prospective purchaser, except in accordance with the terms and provisions of Section 7 hereof.

(c) The Sublessee warrants and represents to the Participants and the Owner that neither the Sublessee nor Hunter, Keith, Marshall & Co., Incorporated (the only Person authorized or employed by the Sublessee as agent or otherwise in connection with the placement of the Notes or any similar Security of the Sublessee) has offered any of the Notes or any similar Security of the Sublessee or the Lessee for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser other than the Note Purchasers and not more than eight other financial institutions, each of whom were offered the Notes at private sale for investment.

(d) The Sublessee warrants and represents to the Participants that the Sublessee has not offered any Beneficial Interest or other similar Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser, other than the Trustor and not more than twenty other financial institutions, each of whom was offered the Beneficial Interest at private sale for investment.

(e) The Sublessee and, except as provided in Section 7, hereof, the Owner and the Trustor, severally agree that neither any of them nor anyone acting on behalf of any one or more of them will offer

(i) the Beneficial Interest or any part thereof or any similar Security for issue or sale to, or solicit any offer to acquire any of the Beneficial Interest from, anyone so as to bring the issuance and sale of the Beneficial Interest within the provisions of Section 5 of the Securities Act of 1933, as amended or,

(ii) the Notes or any part thereof or any similar Security for issue or sale to, or solicit any offer to acquire any of the Notes from, anyone so as to bring the issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

3.5. Representations of the Participants; Transfer of Beneficial Interest. (a) Authority of Note Purchasers; No Violation of Charter, By-laws, Indentures, etc. Each Note Purchaser for itself represents and warrants to the Owner, the Trustor and the Sublessee that:

(i) it has full right, power and authority to enter into and perform its obligations under this Agreement;

(ii) this Agreement does not, nor will the performance of its obligations hereunder, violate the provisions of any charter instrument, By-law, indenture, mortgage, loan or credit agreement or other instrument to which it is a party or by which it may be bound; and

(iii) no consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is necessary in connection with its execution or performance of this Agreement or to the extent such approval, consent or other action is necessary, the same has been obtained and is in full force and effect.

(b) Purchase for Investment. Each Participant represents to each other Participant, the Owner and the Sublessee that such Participant is purchasing the Interest to be acquired by it for the account of such Participant for investment and with no present intention of distributing or reselling such Interest or any part thereof (subject only to Section 7 hereof insofar as the Trustor is concerned), but without prejudice, however, to the right of such Participant at all times to sell or otherwise dispose of all or any part of such Interest under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. Each Participant acknowledges that none of the Interests has been registered under the Securities Act of 1933, as amended, and that neither the Owner nor the Sublessee contemplates filing, or is legally required to file, any such registration; and the Note Purchaser has been advised that the Notes must be held indefinitely unless the Notes are subsequently registered under said Securities Act or an exemption from such registration is available.

(c) Employee Retirement Income Security Act of 1974. Each Participant represents and warrants to the Sublessee, the Owner and the other Participant that, for the sole purpose of determining whether any party hereto may be liable under Section 4975 of the Code or may violate Section 406 of ERISA, such Participant is not acquiring the Interest to be acquired

by it hereunder, directly or indirectly, with the assets of or in connection with any arrangement by it in any way involving an employee benefit plan (or its related trust) as defined in Section 3(3) of ERISA, as interpreted in Technical Information Release 1346 of the Internal Revenue Service and the related Interpretive Bulletin ERISA IB 75-2 of the Department of Labor, or with the assets of any plan (or its related trust) as defined in Section 4975(e)(1) of the Code, other than a plan, if any, which is a governmental plan (or its related trust) as defined in Section 3(32) of ERISA or in Section 414(d) of the Code.

(d) Reaffirmation on the Closing Date. The purchase of the Notes by the Note Purchasers on the Closing Date shall constitute reaffirmation by each Note Purchaser of its representations set forth in this Section 3.5 as of the Closing Date.

(e) Restrictions on Transfer of Owner Interest. The Trustor agrees that it will not transfer or assign any or all of its Beneficial Interest or cause or permit the transfer or assignment of any or all of the Trust Estate except in accordance with the terms and conditions of Section 7 hereof.

SECTION 4. CLOSING CONDITIONS.

The obligations of the Note Purchasers to make the investment specified in Section 2.2 hereof shall be subject to the following conditions:

(a) Execution of Agreements. On or before the Closing Date, the Trust Agreement, this Agreement, the Lease and Lease Supplement Nos. 1A through 1D thereto, Sublease No. 1 and Lease Supplement Nos. 1A through 1D thereto, the Security Agreements, the Acquisition Agreement and all amendments to said agreements required by the Participants or their respective counsel, shall have been duly executed and delivered by the parties hereto and shall be in full force and effect.

(b) Recording of Leases. On or before the Closing Date, the Lease and Sublease No. 1 and all supplements and amendments relating thereto (and/or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) describing the Equipment shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by the Note Purchasers or their counsel in order to protect the rights of the Owner as lessor under the Lease and of the Lessee as sublessor under Sublease No. 1 and to perfect the respective rights, title and interests of the Note Purchasers in and to the Lease and Sublease No. 1 and the rents due and to

become due under the Lease and Sublease No. 1. By such recording or filing, the Owner, the Lessee and the Sublessee are not acknowledging or implying that either the Lease or Sublease No. 1 constitutes a "security agreement" or creates a "security interest" within the meaning of any applicable Uniform Commercial Code.

(c) Recording of Security Agreements. On or before the Closing Date, the Security Agreements (and/or financing statements or similar notices thereof if and to the extent permitted or required by applicable law) describing the Equipment shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by the Note Purchasers or their counsel in order to perfect the respective security interests provided by the Security Agreements.

(d) Sale Documents. On or before the Closing Date, the Note Purchasers shall have received executed or certified copies of each of the following documents:

(i) Such invoices and other written agreements or certificates supporting the amount of the Lessor's Cost of the Equipment as the Note Purchasers may reasonably request;

(ii) A bill of sale for each Item of Equipment signed by the Lessee or other Seller thereof warranting that as of the date thereof the Lessee or such Seller, as the case may be, had good title thereto and that said bill of sale is valid and effective to, and does, transfer good title to such Item of Equipment to the Owner free and clear of all liens and encumbrances; and

(iii) An opinion of counsel for the Lessee and each other Seller of an Item of Equipment, to the effect that the bill of sale for such Item of Equipment has been duly authorized, executed and delivered by the Lessee or such Seller, as the case may be, and constitutes the legal, valid and binding contract of the Lessee or such Seller, as the case may be, enforceable in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, and that the Owner has good and marketable title to such Item of Equipment free and clear of all liens and encumbrances and any claims of third parties.

(e) Evidence of Insurance. On or before the Closing Date, the Note Purchasers shall have received evidence of the maintenance of insurance required by Section 7 of the Lease.

(f) Certificate of Sublessee. On the Closing Date, the Note Purchasers shall have received executed copies of a Certificate dated such date signed by the President, a Vice President, the Treasurer or an Assistant Treasurer of the Sublessee in substantially the form attached hereto as Exhibit E, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make the investment contemplated by Section 2 hereof.

(g) Certificate of Lessee. On the Closing Date, the Note Purchasers shall have received executed copies of a Certificate dated such date signed by the President, a Vice President, the Treasurer or an Assistant Treasurer of the Lessee, the truth and accuracy of which shall be a condition to the obligation of such Participant to make the investment contemplated by Section 2 hereof, to the effect that the representations and warranties of the Lessee contained in Section 21 of the Lease are true in all material respects and that the Lessee has performed and complied with all agreements and conditions contained in the Lease which are required to be performed or complied with by the Lessee on or before said Date.

(h) Certificate of Trustor. On the Closing Date, the Note Purchasers shall have received a certificate dated such date signed by the President or Vice President of the Trustor, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make their investment contemplated by Section 2.2 hereof, to the effect that the representations and warranties of the Trustor contained in Sections 3.1, 3.4 and 3.5 hereof are true in all material respects and that the Trustor has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Trustor on or before said Date.

(i) Certificate of Trustee. On the Closing Date, the Note Purchasers shall have received a certificate dated such date signed by an authorized officer of the Owner, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make their investment contemplated by Section 2.2 hereof, to the effect that the representations and warranties of the Owner contained in Sections 3.2 and 3.4 hereof are true in all material respects on the

Closing Date with the same effect as though made on and as of said date and that the Owner has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Owner on or before said Date.

(j) Opinions of Counsel. On the Closing Date, the Note Purchasers shall have received the favorable written opinions of counsel for the Sublessee and the Lessee, the Trustor, the Trustee and Messrs. Chapman and Cutler, who are acting as special counsel for the Note Purchasers in connection with the transactions contemplated by this Agreement, described in Exhibits F, G, H, I and J hereto.

(k) No Legal Impediment. No change shall have occurred in applicable laws or regulations or any interpretations thereof, which might make it illegal for the Note Purchasers to participate in any of the transactions contemplated hereby or by the other Operative Agreements.

(l) Trustor Advance. The Trustor shall have made the investment specified in Section 2.1 hereof.

(m) Proceedings Satisfactory as of Closing Date. All proceedings taken in connection with the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory to the Note Purchasers and their special counsel, and such special counsel shall have received copies of such documents and papers as the Note Purchasers or such special counsel may reasonably request in connection therewith or as a basis for such special counsel's closing opinion, all in form and substance satisfactory to the Note Purchasers and such special counsel.

SECTION 5. HOME OFFICE PAYMENT OF NOTES.

Notwithstanding any provision to the contrary in this Agreement, the Security Agreements or the Notes, the Owner will cause and permit all amounts payable to the Note Purchasers with respect to any Notes held thereby or by a nominee or affiliate thereof to be paid to the Note Purchasers or such nominee or affiliate, as the case may be (without any presentment thereof and without any notation of such payment being made thereon) as provided in Schedule 2 hereto. Each Note Purchaser agrees that if it shall sell or transfer any Note or any portion thereof it will present such Note for transfer and notation as provided in Sections 7.4 and 7.5 of the Security Agreement to which it is a party.

SECTION 6. INDEMNIFICATION BY TRUSTOR WITH RESPECT TO CERTAIN TAXES.

The Trustor agrees to take such action as may be necessary to discharge, or cause the Owner to discharge, any lien, charge or encumbrance on any part of the Trust Estate which results from any act of or claim against the Trustor or the Owner not related to or connected with the ownership, leasing, use or operation of the Equipment, the administration of the Trust or to any transaction contemplated by this Agreement or the other Operative Agreements.

SECTION 7. TRANSFER AND ASSIGNMENT OF TRUST ESTATE AND BENEFICIAL INTEREST.

(a) Terms and Conditions. By their execution hereof the Owner, the Note Purchasers and the Sublessee understand and agree that it is the intention of the Trustor to arrange for or otherwise cause to be created additional trusts (the "Secondary Trusts") and to further arrange for or otherwise cause the transfer or assignment in accordance with Regulation D of the Securities Act of 1933, as amended, of the beneficial interests thereunder to purchasers which shall hold the beneficial interests so acquired as beneficial interests under the Secondary Trusts. The Trustor understands and agrees that any such transfer or assignment of all or any part of the Trust Estate or of the Beneficial Interest relating thereto may be made solely upon the terms and conditions hereinafter set forth:

(i) ① The number of Secondary Trusts so created shall not at any time exceed ten; ② the Secondary Trusts owning Group A and Group B Equipment shall not at any time have outstanding in the aggregate more than three Notes secured by or otherwise relating to such Items of Equipment nor shall any such Note individually be less than $850,000 in original principal amount; ③ the Secondary Trusts owning Group C and Group D Equipment shall not at any time have outstanding in the aggregate more than seven Notes secured by or otherwise relating to such Items of Equipment, no more than two of which individually shall be less than $600,000 in original principal amount and the remaining five of which shall individually be at least $950,000 in original principal amount, it being understood and agreed that for purposes of this limitation, beneficial interests or certificates evidencing the same shall not be counted; ④ transfers or assignments shall occur on not more than three dates and all such transfers or assignments shall be completed in their entirety by December 31, 1982; ⑤ there shall be no more than 35 purchasers of beneficial interests in the aggregate unless in the written opinion of Messrs. Gaston Snow & Ely Bartlett, satisfactory in form and substance to the Sublessee and the Note Purchasers, the issuance, offer, sale and delivery of beneficial interests in the Secondary Trusts are not integrated as described in Rule 501

of Regulation D of the Securities Act of 1933, as amended; the purchasers and legal owners of any portion of the Trust Estate so transferred or assigned shall be First Security Bank of Utah, National Association, and Robert S. Clark, as trustees under a Secondary Trust and each purchaser of any beneficial interest so transferred or assigned and/or each holder of any beneficial interest or interests under any such Secondary Trust shall on and as of the date of any such transfer or assignment be either an "accredited investor" as defined in Rule 501 of the Securities Act of 1933, as amended or shall have, either alone or with his or her representative(s), such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in such beneficial interest (the "Secondary Purchasers"); and the Trustor shall comply with all state laws with respect to the sale of securities relating to the foregoing;

(ii) The form and substance of any instruments offering or purporting to offer for sale, transfer or assignment all or any part of the Trust Estate or the Beneficial Interest shall be valid and effective for such purpose under state and Federal law, shall comply with all state and Federal laws relating to the sale of Securities, and shall contain all disclosures required thereby, and shall not omit any information required to comply therewith;

(iii) The form and substance of any instruments documenting the substitution for or replacement of the Trust Agreement, the Notes and the Security Agreements with the trust agreements, notes and security agreements of the Secondary Trusts, together with any other certificates or instruments necessary therefor, shall be satisfactory to the Note Purchasers and the Sublessee; provided that the Note Purchasers and the Sublessee understand and agree that in any event the limitations of liability of the Owner contemplated by Section 8 hereof, Section 6 of the Security Agreement and the last paragraph of the Notes shall pertain only to First Security Bank of Utah, National Association, and Robert S. Clark, in their individual capacities and in no way shall limit the liability of the Secondary Trusts or the beneficiaries thereunder with respect to the obligations evidenced by the notes and the security agreements entered into by the Secondary Trusts, and provided further that if the form of the notes and security agreements entered into by the Secondary Trusts are in substantially the form of the Notes and the Security Agreements, are of the same force and

effect and shall comply with all requirements of state and Federal law, the form and content thereof shall be deemed to be satisfactory to the Note Purchasers and the Sublessee;

(iv) The Note Purchasers shall have received, filed or recorded uniform commercial code financing statements, and agreements or other instruments filed or recorded with the Interstate Commerce Commission, in form and substance satisfactory to the Note Purchasers, evidencing the continuation of the prior perfected security interests of the Note Purchasers in the collateral under the Security Agreements;

(v) The Note Purchasers and the Sublessee shall have received a certificate, dated the date of any transfer or assignment as contemplated hereby, of the trustees under the Secondary Trusts to the effect set forth in Section 3.2 hereof (but with respect to each of such Secondary Trusts);

(vi) The Note Purchasers and the Sublessee shall have received an opinion of counsel to the trustees under the Secondary Trusts satisfactory in form and substance to said parties and to the effect set forth in Exhibit J hereto (but with respect to each of such Secondary Trusts);

(vii) In connection with any such transfer or assignment, the Note Purchasers, the Sublessee and the Owner shall have received an opinion of Messrs. Gaston Snow & Ely Bartlett, as counsel to the Trustor, satisfactory in form and substance to said parties and to the effect that the issuance, offer, sale and delivery of the Trust Estate to the Secondary Trusts and of the Beneficial Interest to the Secondary Purchasers under the Secondary Trusts do not, under existing law, require the registration of any such interest under the Securities Act of 1933, by virtue of the exemption from such registration provided by Regulation D thereunder, the Securities Exchange Act of 1934, the Investment Company Act of 1940 or the qualification of any agreement relating thereto under the Trust Indenture Act of 1939 nor does such issuance, offer, sale and delivery of any such interest otherwise constitute a violation of any other provisions, rules or regulations of the foregoing statutes, or any provisions of any state securities or "Blue Sky" laws, it being understood and agreed that in rendering the opinions herein called for, such counsel may rely upon certificates of persons as to matters of fact or upon opinions of other counsel regarding matters relevant thereto (which certificates and opinions shall be attached to any opinions of such counsel and shall be in form and substance acceptable to the Note Purchasers and the Sublessee), all as such counsel may deem necessary for purposes of rendering such opinions; and

(viii) No Secondary Trusts shall at any time own any property, real, personal or mixed, other than the Equipment unless and to the extent that any such property is free and clear of any lien, claim or encumbrance or such lien, claim or encumbrance shall attach solely to such property and not to the Equipment and any such Secondary Trust shall by its terms expressly so provide and the holder or beneficiary of any such lien, claim or encumbrance shall furnish the Sublessee and the Note Purchasers with a written acknowledgment to the effect that such lien, claim or encumbrance attaches solely to such property and not to the Equipment.

(b) Indemnification. The Trustor warrants and agrees that any issuance, sale, transfer and delivery of all or any part of the Trust Estate or of all or any of the Beneficial Interest will be made solely in accordance with the terms and provisions of this Section 7. The Trustor hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Note Purchasers and any other from time to time holders of the Notes and the Sublessee from and against any and all losses, damages, claims, demands and expenses, legal or otherwise (including court costs and attorneys fees reasonably incurred), of whatsoever kind and nature arising as a result of the violation by the Trustor of any or all of the provisions of Section 7 or of any law relating thereto. The Trustor further agrees that any liability which it may incur hereunder shall not have the benefit of or be limited by the provisions of Section 8 hereof, Section 7 of the Security Agreement or the last paragraph of the Notes, nor shall the Lessee or Sublessee be liable to indemnify the Trustor therefor under Section 6 of the Lease or of Sublease No. 1.

SECTION 8. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Owner, the Trustor, the Sublessee, the Note Purchasers and any holder of any Note and their respective successors and assigns that this Agreement is executed by the Corporate Owner and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such trustees, that each and all of the representations, undertakings and agreements herein made on the part of the Owner are each and every one of them made and intended not as personal representations, undertakings and agreements by the Corporate Owner or Robert S. Clark, or for the purpose or with the intention of binding the Corporate Owner or Robert S. Clark, personally, but are made and intended for the purpose of binding only the Trust Estate, that this Agreement is executed and delivered by the Corporate Owner or Robert S. Clark, solely in the exercise of the powers expressly conferred upon the Corporate Owner and Robert S. Clark, as trustees under the Trust Agreement, that actions to be taken by the Owner pursuant to its obligations hereunder may, in certain instances, be taken by the Owner only upon specific authority of the Trustor, that

nothing herein contained shall be construed as creating any liability on the Corporate Owner or Robert S. Clark, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, the Corporate Owner to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Note Purchasers and the holder of any Note and by any person claiming by, through or under the Note Purchasers or any holder of any Note, and that so far as the Corporate Owner and Robert S. Clark personally are concerned, the Note Purchasers, and the holder of any Note and any person claiming by, through or under the Note Purchasers or any holder of any Note shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; provided that nothing contained in this Section 8 or in the last paragraph of the Notes or in Section 6 of the Security Agreement shall be construed to limit in scope or substance those representations and warranties of the Corporate Owner, in its individual capacity set forth in Sections 3.2, 3.4 and 9.6 hereof and in the second sentence of Section 2.2 of the Security Agreement or limit the liability of the Corporate Owner in its individual capacity therefor or for gross negligence or willful misconduct.

SECTION 9. MISCELLANEOUS.

9.1. Amendments and Waivers. Any term, covenant, agreement or condition of this Agreement may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by an instrument or instruments in writing executed by each of the Participants, the Owner and the Sublessee; provided that any such party may as to its rights waive in writing the requirements of any provision hereof which are for its benefit.

9.2. Notices. Any notice provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or otherwise actually received or five business days after being deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Owner:
First Security Bank of Utah,
National Association, as
Trustee under Lone Star Steel
Company Trust No. 82-1
79 South Main Street
Salt Lake City, Utah 84111
Attention: Trust Division - Corporate
Trust Department

(with a copy to the Trustor)

If to the Trustor:
At its address set forth in
Schedule 1 hereto

If to the Lessee:	Lone Star Steel Company P.O. Box 35888 2200 West Mockingbird Lane Dallas, Texas 75235 Attention: Vice President and Controller
	(with a copy to the Sublessee)
If to the Sublessee:	Philadelphia and Reading Corporation c/o Northwest Industries, Inc. 6300 Sears Tower Chicago, Illinois 60606 Attention: Treasurer
If to any Note Purchaser:	At its address set forth in Schedule 2 hereto
With a copy to Messrs. Chapman and Cutler:	111 West Monroe Street Chicago, Illinois 60603 Attention: Robert Nash, Esq.

or at such other place as any such party may designate by notice given in accordance with this Section.

9.3. Survival. All warranties, representations and covenants made by the Sublessee, the Owner or any Participant herein or in any certificate or other instrument delivered by any such party or on the behalf of any such party under this Agreement shall be considered to have been relied upon by each other party hereto and shall survive the consummation of the transactions contemplated hereby on the Closing Date regardless of any investigation made by any such party or on the behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations by the party so making the same.

9.4. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns.

9.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

9.6. Receipt of Funds by Owner. In the event the Owner shall receive any payment of rental or other payment under the Lease or Sublease No. 1 which shall have been assigned to the Note Purchasers, the Owner agrees to wire transfer such funds to the Note Purchasers at the addresses set forth in Schedule 2 hereto on the date of receipt of such funds if they are, when received by the Owner, current and immediately available prior to noon Salt Lake City time, or if such funds are received after 12:00

noon on the next day on which the Owner shall be open for business, or if such funds received shall not be current and immediately available, on the date the Owner shall have current and immediately available funds. Notwithstanding Section 7 hereof, the Owner shall be liable in its individual capacity to pay interest at the rate of 13.875% per annum for any period the Owner shall have current and immediately available funds and shall not wire transfer them to the Note Purchaser which has purchased the Series A and Series B Notes in conformance with this Section 9.6 and 14.25% per annum for any period the Owner shall have current and immediately available funds and shall not wire transfer them to the Note Purchaser which has purchased the Series C and Series D Notes in conformance with this Section 9.6.

9.7. Counterparts. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Agreement.

9.8. Headings and Table of Contents. The headings of the sections of this Agreement, the Table of Contents and the Recitals are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

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

SUBLESSEE: PHILADELPHIA AND READING CORPORATION

By _____
Its Vice President & Treasurer

TRUSTOR: AMERICAN FINANCE GROUP, INC.

By _____
Its _____

NOTE PURCHASER: STATE OF WISCONSIN INVESTMENT BAORD

By _____
Its _____

NOTE PURCHASER: UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA

By _____
Its VICE PRESIDENT

JAA

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, as Trustee under the Trust Agreement hereinabove referred to and, to the extent contemplated by Section 7 hereof, in its individual capacity

By _____
Authorized Officer

_____ (L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

Name and Address of Trustor	Proportional Share of Owner Interest
AMERICAN FINANCE GROUP, INC. One Liberty Square Boston, Massachusetts 02109 Attention: Treasurer	100%

SCHEDULE 1
(to Participation Agreement)

Name and Address of Note Purchasers	Series of Notes to Be Purchased
STATE OF WISCONSIN INVESTMENT BOARD 201 East Washington Avenue P.O. Box 7842 Madison, Wisconsin 53707 Attention: Investment Director-Private Placements All notices and communications to be addressed as above, but all payments to be addressed as follows: By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to: First Wisconsin National Bank of Milwaukee 777 East Wisconsin Avenue Milwaukee, Wisconsin 53202 for deposit to the account of the State Treasurer with telephone advice to the State of Wisconsin Investment Board	Series C and Series D

Form of Notes to be Issued: Registered
Name of Nominee: None

SCHEDULE 2
(to Participation Agreement)

Name and Address of Note Purchasers	Series of Notes to Be Purchased
UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA 2211 Congress Street Portland, Maine 04122 Attention: Bond Investment Division All notices and communications to be addressed as above, but all payments to be addressed as follows: By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to: Federal Reserve Bank of Boston for the account of Casco/Portland, Account Number 011200022 For credit to Unionmutual Stock Life Insurance Co. of America Account No. 000-039-976 Form of Notes to be Issued: Order Name of Nominee: None	Series A and Series B

EXHIBIT A

LONE STAR BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS THAT:

First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982 (the "Lone Star Trust Agreement"), (hereinafter referred to as "Vendor"), having their principal office and place of business at 79 South Main Street, Salt Lake City, Utah 84111 in consideration of the sum of SIX HUNDRED NINETEEN THOUSAND ONE HUNDRED AND 00/100 DOLLARS ($619,100) and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto First Security Bank of Utah, N.A. and Robert S. Clark, not in their individual capacities but solely as trustees under the Trust Agreement for "AFG Leasing Venture No. 939" dated as of November 17, 1982 (hereinafter referred to as "Vendee"), having their principal place of business at 79 South Main Street, Salt Lake City, Utah 84111, all of Vendor's estate, right, title and interest in and to the equipment consisting of the items of equipment listed and described on Schedule A hereto (the "P & R Equipment"), and all other rights including all warranties, express or implied, received from the manufacturer thereof or by reason of Vendor's purchase of the P & R Equipment from the manufacturer thereof.

VENDOR, not in its individual capacity but solely as trustees under the Lone Star Trust Agreement, hereby warrants to VENDEE that it is the lawful owner of said goods and chattels; that except as set forth below the same are free from any security interest or other lien or encumbrance created by Vendor (other than those created pursuant to Lone Star Operative Agreements as defined in the Lone Star Agreement) or which result from any claims asserted against Vendor in its individual capacities which are not related to the ownership of the Lone Star Equipment or to the administration of the Trust Estate as defined in the Lone Star Trust Agreement or to any other transaction pursuant to the Lone Star Trust Agreement or the Operative Agreements as defined in the Lone Star Trust Agreement; that it has good right and authority to sell the same; and that it will warrant and defend the same against the claims and demands of all persons.

This transfer and sale is made, and the Vendee take title to the P & R Equipment, subject to (i) the Notes and Security Agreements listed and described on Schedule B hereto (the "Mortgage"), but in no event shall the Vendee (or any beneficiary of the trust of which they are trustees) assume any personal liability under or with respect thereto except as expressly provided for in any assignment and assumption agreement or subordination agreement, and (ii) the Leases set forth on Schedule C.

TO HAVE AND TO HOLD all and singular the above described assets and properties unto said Vendee, its successors and assigns, forever.

IN WITNESS WHEREOF, Vendor has caused this instrument to be duly executed this day of December, 1982.

ROBERT S. CLARK, not in his individual capacity but solely as trustee

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as trustee

_____

By: _____

Title: _____

The undersigned, First Security Bank of Utah, N.A. and Robert S. Clark, not in their individual capacities but solely as trustees under the Trust Agreement for "AFG Leasing Venture No. 939" dated as of November 17, 1982, do hereby accept the foregoing transfer and assignments this day of December, 1982.

Individual Trustee

Corporate Trustee

FIRST SECURITY BANK OF UTAH, N.A.

_____

Robert S. Clark

By: _____

Title: _____

SCHEDULE A
TO
LONE STAR BILL OF SALE

DESCRIPTION OF EQUIPMENT

Group C-3

Description of Item	Seller	Group	Serial No.	Lessor's Cost**	Place of Delivery and Location
Terex 33-05B Hauler	*	C-3	68341	$ 150,900	Lone Star, Tx
Renner RHP60 Straddle Crane	*	C-3	60RHP024	220,200	Lone Star, Tx
New Slug Locomotive	*	C-3	TN3	248,000	Lone Star, Tx
	Total Lessor's Cost			$ 619,100	

* Seller for each item of equipment listed and described above is First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982.

** Lessor's Cost shall also mean the cost to the Owner Trustees, defined as First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under Trust Agreement for "AFG Leasing Venture No. 939" dated as of November 17, 1982.

SCHEDULE B

to

LONE STAR BILL OF SALE

Description of the Mortgage

The Mortgage is a Secured Note in the principal sum of $527,483.02, dated as of December __, 1982, by and between First Security Bank of Utah, National Association and Robert S. Clark, as trustees (the "Debtor") under the Trust Agreement dated as of November 17, 1982 and State of Wisconsin Investment Board and a Security Agreement dated as of September 30, 1982 from First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 ("Debtor") to State of Wisconsin Investment Board ("Secured Party") as assigned pursuant to the Assignment and Assumption Agreement dated as of December 20, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement dated as of September 30, 1982 and entitled Lone Star Steel Company Trust No. 82-1 (the "Lone Star Trustees" and the "Seller"), First Security Bank of Utah, National Association and Robert S. Clark (the "Owner Trustees"), not in their individual capacities but solely as trustees under an Trust Agreement entitled "AFG Trust 939" and dated as of November 17, 1982, among them and American Finance Group, Inc. as trustor and certain beneficiaries identified in the Owner Trust Agreement (the "Beneficiaries").

SCHEDULE C

to

LONE STAR BILL OF SALE

Description of the Leases

The Leases are a Lease Agreement dated as of September 30, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 ("Lessor") and Lone Star Steel Company ("Lessee") and Lease Supplement No. 1C as it relates to the equipment, by and between Lessor and Lessee, as assigned pursuant to the Assignment and Assumption Agreement dated as of December 20, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement dated as of September 30, 1982 and entitled Lone Star Steel Company Trust No. 82-1 (the "Lone Star Trustees" and the "Seller"), First Security Bank of Utah, National Association and Robert S. Clark (the "Owner Trustees"), not in their individual capacities but solely as trustees under an Trust Agreement entitled "AFG Trust 939" dated as of November 17, 1982, among them and American Finance Group, Inc. as trustor and certain beneficiaries identified in the Owner Trust Agreement (the "Beneficiaries"); all subject to Sublease Agreement No. 1 dated as of September 30, 1982 by and between Lone Star Steel Company ("Lessor") and Philadelphia and Reading Corporation ("Lessee") and Lease Supplement No. 1C as it relates to the equipment, by and between Lessor under the Sublease Agreement No. 1 and Lessee under the Sublease Agreement No. 1.

SCHEDULE E

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
AND ROBERT S. CLARK
AS TRUSTEES UNDER TRUST AGREEMENT
DATED AS OF OCTOBER 26, 1982

SECURED NOTE

$911,656.96 December __, 1982

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, and ROBERT S. CLARK, as trustees (the "Debtor") under the Trust Agreement entitled "AFG Leasing Venture No. 933" dated as of October 26, 1982 (as amended from time to time, the "Trust Agreement") between it and American Finance Group, Inc., a Massachusetts corporation (the "Trustor"), and the individuals whose names are annexed on Schedule A hereto as beneficiaries under the Trust Agreement (the "Beneficiaries") promise to pay to

STATE OF WISCONSIN INVESTMENT BOARD

or registered assigns, the principal sum of

NINE HUNDRED ELEVEN THOUSAND SIX HUNDRED FIFTY-SIX and 96/100 DOLLARS ($911,656.96)

together with interest from November 1, 1982 until maturity at the rate of 14.25% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One installment of interest only in the amount of $22,373.58, for the period from and including November 1, 1982 to but not including January 3, 1983 (computed on the basis of actual days for any partial month and thirty days for any full month), together with one installment of principal in the amount of $15,091.37, in each such case payable on January 3, 1983;

(ii) Forty (40) installments of both principal and interest each in the amount and on the dates set forth in the Amortization Schedule attached hereto as Exhibit A and made a part hereof;

and to pay interest on any overdue principal and (to the extent legally enforceable) on any overdue interest at the rate of 15.25% per annum after the same shall have become due, whether by

acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is issued under and pursuant to the Assignment and Assumption Agreement dated as of December 15, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark as trustees under the Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982, the Debtor, and the beneficiaries under the Trust Agreement, and is one of the Secured Notes not exceeding $5,500,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of September 30, 1982, among the Debtor, the Trustor, Philadelphia and Reading Corporation, Unionmutual Stock Life Insurance Co. of America and State of Wisconsin Investment Board (the "Secured Party"), as assigned and assumed pursuant to the Assignment and Assumption Agreement, and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of September 30, 1982 (the "Security Agreement") from the Debtor to the Secured Party (but only to the extent such Security Agreement has been assigned and assumed pursuant to the Assignment and Assumption Agreement). Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement, including the Assignment and Assumption Agreement (but only as assigned and assumed by the Assignment and Assumption Agreement or if executed by the Debtor), for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Note and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note under the Security Agreement. The Debtor agrees to make the required prepayments on the Note in accordance with the provisions of the Security Agreement, as it relates to this Note.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Note may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

The Debtor by its execution hereof waives presentment, notice of dishonor and protest.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of this Note and their respective successors and assigns that this Note is executed by First Security Bank of Utah, National Association and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees (and First Security Bank of Utah, National Association and Robert S. Clark hereby warrant that they possess full power and authority to enter into and perform this Note), that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or for the purpose or with the intention of binding the Debtor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Assignment and Assumption Agreement, that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustees under the Trust Agreement, nothing herein contained shall be construed as creating any liability on the Debtor personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, First Security Bank of Utah, National Association, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as the Debtor personally is concerned, the Secured Party and the holder of this Note and any person claiming by, through or under the Secured Party or the holder of this Note shall look solely to the Collateral as defined in the Security Agreement (but only as assigned and assumed by the Assignment and Assumption Agreement) and to the obligations of the Beneficiaries pursuant to Section 4 of the Assignment and Assumption Agreement but only to the extent set forth therein, by reference to Schedule A thereto and as set forth in Schedule A hereto, for the performance of any obligation under this Note and the Security Agreement; provided, however, that except as provided in the Security Agreement nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement; and provided, further, that nothing contained in this paragraph shall be construed to limit the liability of First Security Bank of Utah, National Association in its individual capacity for any breach of any representations or warranties set forth in Sections 3.2 and 9.6 of the Participation Agreement as assigned by the Assignment and Assumption Agreement or in the second sentence of Section 2.2 of the Security Agreement as assigned by the Assignment and Assumption Agreement or to limit

the liability of First Security Bank of Utah, National Association for gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, and
ROBERT S. CLARK, as trustees
under that Trust Agreement
dated as of October 26, 1982,
as amended from time to time

By: _____

_____(L.S.)
ROBERT S. CLARK, as trustee under
that Trust Agreement dated as of
October 26, 1982, as amended from
time to time

BENEFICIARIES:

Each of the persons named in the Schedule A hereto, whose names with the respective percentage set forth opposite thereto on said Schedule A are by this reference hereby incorporated herein as truly as if set forth herein in full.

By: AMERICAN FINANCE GROUP, INC.,
as agent and attorney-in-fact under
Co-Maker Powers of Attorney attached
hereto as Exhibit 1 to Schedule A
hereof

By: _____

Title: _____

Date: _____

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SCHEDULE F

PARTICIPATION AGREEMENT

Dated as of September 30, 1982

Among

PHILADELPHIA AND READING CORPORATION

SUBLESSEE

AMERICAN FINANCE GROUP, INC.

TRUSTOR

STATE OF WISCONSIN INVESTMENT BOARD

and

UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA

NOTE PURCHASERS

and

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, individually and as trustee
and
ROBERT S. CLARK, as trustee

OWNER

(Lone Star Steel Company Trust No. 82-1)

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ATTACHMENTS TO PARTICIPATION AGREEMENT:

Schedule 1 - Name, Address and Proportional Share of Trustor

Schedule 2 - Name, Address and Maximum Commitment of Note Purchasers

Exhibit A - Acquisition Agreement

Exhibit B - Lease Agreement

Exhibit C - Security Agreement

Exhibit D - Sublease No. 1 Agreement

Exhibit E - Certificate of the Sublessee

Exhibit F - Description of Opinion of Counsel for the Sublessee

Exhibit G - Description of Opinion of Counsel for the Lessee

Exhibit H - Description of Opinion of Counsel for the Trustor

Exhibit I - Description of Opinion of Special Counsel for the Note Purchasers

Exhibit J - Description of Opinion of Counsel for the Owner

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT dated as of September 30, 1982 is among PHILADELPHIA AND READING CORPORATION, a New York corporation (the "Sublessee"), AMERICAN FINANCE GROUP, INC., a Massachusetts corporation (the "Trustor"), FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association, individually and as trustee (the "Corporate Owner") and ROBERT S. CLARK, as individual trustee (together with the Corporate Owner, the "Owner") under the Trust Agreement referred to below and STATE OF WISCONSIN INVESTMENT BOARD and UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA (collectively the "Note Purchasers"). The Trustor and the Note Purchasers are herein sometimes referred to collectively as the "Participants" and individually as a "Participant".

R E C I T A L S:

A. Operative Agreements. The Owner and the Trustor have entered into a Trust Agreement dated as of September 30, 1982, as from time to time supplemented, amended, replaced or substituted for (the "Trust Agreement"), and, pursuant to the authorizations and directions contained in the Trust Agreement, the Owner has entered into or proposes to enter into:

(1) an Acquisition Agreement in the form attached hereto as Exhibit A, as it may be supplemented or amended (the "Acquisition Agreement") between the Owner and Lone Star Steel Company, a Texas corporation (the "Lessee") and the other sellers named in the Acquisition Agreement (the "Sellers"), providing for the purchase by the Owner of the Equipment from the Lessee and the Sellers;

(2) a Lease Agreement in the form attached hereto as Exhibit B, as it may be supplemented or amended (the "Lease") between the Owner, as lessor, and the Lessee, as lessee, providing for the lease of the Equipment to the Lessee; and

(3) separate Security Agreements substantially in the form attached hereto as Exhibit C with appropriate insertions, as from time to time supplemented, amended replaced or substituted for (the "Security Agreements") from the Owner to each Note Purchaser, respectively, granting a security interest in the Owner's interest in and to the Equipment described in such Security Agreement (subject to the rights of the Lessee under the Lease and of the sublessee under Sublease No. 1, as such term is hereinafter defined) and in and to the

Lease and Sublease No. 1 and the rents and certain of the other sums due and to become due thereunder to the extent set forth in such Security Agreements.

The Lessee has entered into or proposes to enter into a Sublease Agreement No. 1 dated as of September 30, 1982, substantially in the form attached hereto as Exhibit D, between the Lessee, as sublessor, and the Sublessee, as sublessee (Sublease Agreement No. 1, as it may be supplemented or amended, hereinafter referred to as "Sublease No. 1"). The Trust Agreement, this Participation Agreement, the Acquisition Agreement, the Lease, the Security Agreements and Sublease No. 1 are hereinafter sometimes referred to as the "Operative Agreements".

B. Investment of Participants. On or prior to September 30, 1982 the Trustor advanced to the Owner for payment to the Lessee an amount which is no less than that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	11.9837%
Group B	12.8762%
Group C	14.7984%
Group D	15.8231%

The balance of the Lessor's Cost of the Equipment will be financed by the issue and sale of the Notes of the Owner to the Note Purchasers, all subject to the limitations and on the terms and conditions hereinafter set forth.

SECTION 1. INTERPRETATION OF THIS AGREEMENT.

1.1. Definitions. The following terms shall have the following meanings for all purposes of this Agreement:

"Acquisition Agreement" is defined in Recital A(1) hereof.

"Beneficial Interest" shall mean the interest of the Trustor under the Trust Agreement and any and all interests of any beneficiairies under each and every trust agreement constituting a replacement of or substitution for the Trust Agreement.

"Closing Date" is defined in Section 2.3 hereof.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Equipment" shall mean all, and "Item of Equipment" shall mean each, of the items of equipment described in the Lease Supplements executed by the Owner and the Lessee. "Group A Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 6 years. "Group B Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 7.5 years. "Group C Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of 10 years. "Group D Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and have a Lease Term of 12 years.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Interests" shall mean the Beneficial Interest and the Notes, collectively, and "Interest" shall mean the Beneficial Interest or a Note, individually.

"Lease" is defined in Recital A(2) hereof.

"Lease Supplement" shall have the meaning set forth in Section 1 of the Lease.

"Lease Term" shall have the meaning set forth in Section 1 of the Lease.

"Lessor's Cost" of the Equipment shall mean $9,580,685. "Lessor's Cost" of the Group A Equipment shall mean $1,783,310. "Lessor's Cost" of the Group B Equipment shall mean $1,377,275. "Lessor's Cost" of the Group C Equipment shall mean $2,429,100. "Lessor's Cost" of the Group D Equipment shall mean $3,991,000.

"Note Purchasers" shall mean State of Wisconsin Investment Board and Unionmutual Stock Life Insurance Co. of America and their respective successors and assigns hereunder and under the Security Agreements, including any other from time to time holders of the Notes.

"Notes" is defined in Section 2.2(a) hereof.

"Operative Agreements" is defined in Recital A hereof.

"Owner" shall mean the Corporate Owner and Robert S. Clark as trustees under the Trust Agreement and their respective successors and assigns thereunder, including any transferee or transferees of all or any part of their right, title and interest in and to the Trust Estate.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Permitted Encumbrances" shall mean the Security Agreement and all other liens and encumbrances permitted under Section 1.3 thereof.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Security Agreements" is defined in Recital A(3) hereof.

"Sellers" is defined in Recital A(1) hereof.

"Sublease No. 1" is defined in the Recitals.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement dated as of September 30, 1982 between the Sublessee and the Trustor, as it may be supplemented or amended from time to time.

"Trust Agreement" is defined in Recital A hereof.

"Trust Estate" shall have the meaning specified in the Trust Agreement and shall include any part or portion thereof constituting a Trust Estate under any Trust Agreement.

1.2. Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

SECTION 2. COMMITMENTS OF THE PARTICIPANTS.

2.1. Commitment of the Trustor. (a) Advance in Respect of Lessor's Cost of Equipment. The Trustor has advanced and provided for payment to the Lessee an amount which is no less than that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	11.9837%
Group B	12.8762%

Equipment	Percentage of Lessor's Cost
Group C	14.7984%
Group D	15.8231%

(b) Ownership of Beneficial Interest. The name and address of the Trustor is set forth in Schedule 1 hereto. The Trustor owns the entire undivided Beneficial Interest in the Trust Estate under the Trust Agreement.

2.2. Issue and Sale of Notes. (a) The Notes. In order to finance the balance of the Lessor's Cost of the Equipment, the Owner proposes to issue and sell:

(i) its 13.875% Secured Notes due 1983-1989 (the "Series A Notes") in the aggregate principal amount of $1,569,603.35, to bear interest at the rate of 13.875% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 1, 1983, followed by twenty-four (24) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1989;

(ii) its 13.875% Secured Notes due 1983-1990 (the "Series B Notes") in the aggregate principal amount of $1,199,934.08, to bear interest at the rate of 13.875% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 1, 1983, followed by thirty (30) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including July 3, 1990;

(iii) its 14.25% Secured Notes due 1983-1993 (the "Series C Notes") in the aggregate principal amount of $2,069,631.71, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty (40) consecutive quarterly installments, including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993;

(iv) its 14.25% Secured Notes due 1983-1995 (the "Series D Notes") in an aggregate principal amount of $3,359,501.07, to bear interest at the rate of 14.25% per annum prior to maturity and to be payable as follows: one installment of interest only for the period from and including the Closing Date (as hereinafter defined) to but not including January 3, 1983, together with one installment of principal, payable on January 3, 1983, followed by forty-eight (48) consecutive quarterly installments including both principal and interest, payable in accordance with the amortization schedule applicable thereto set forth in Schedule 1 to the related Security Agreement, with the first such installment to be paid on April 3, 1983 and the balance of such installments to be paid on each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995;

and to be otherwise substantially in the form (with appropriate insertions) attached to the Security Agreement as Exhibit A. Interest on all Notes shall be computed on the basis of a 360-day year of twelve 30-day months and each Note shall be dated the date of issue. The term "Notes" as used herein shall include each Series A, Series B, Series C and Series D Note delivered pursuant to this Agreement or the Security Agreement.

(b) Commitments of Note Purchaser. Subject to fulfillment of the terms and conditions of the Operative Agreements and on the basis of the representations and warranties hereinafter set forth, the Owner agrees to issue and sell to the Note Purchasers, and the Note Purchasers agree to purchase from the Owner, on the Closing Date hereinafter provided for, Notes of the Owner at a price of 100% of the principal amount thereof equal to that percentage of the Lessor's Cost of the Equipment as is set forth in the following schedule:

Equipment	Percentage of Lessor's Cost
Group A	88.0163%
Group B	87.1238%
Group C	85.2016%
Group D	84.1769%

provided that the aggregate principal amount of all Notes to be purchased hereunder shall not exceed $8,300,000, and provided further that the principal amount of each series of Notes to be purchased hereunder shall not exceed the following amounts:

Series of Notes	Maximum Amount
Series A and Series B Notes	$2,800,000
Series C and Series D Notes	$5,500,000

The series of Notes to be purchased by each Note Purchaser is as set forth in Schedule 2 hereto. The Notes delivered to the Note Purchasers on the Closing Date will be typewritten in the form of a single Note for each series payable to the order of the Note Purchaser purchasing the Series A and Series B Notes in the case of such Notes and registered in the name of the Note Purchaser purchasing the Series C and Series D Notes in the case of such Notes.

(c) Security for the Notes. The Notes will be issued under and secured by the Security Agreements, each of which creates a valid and perfected first security interest in the Equipment therein described, the right, title and interest of the Owner, as lessor under the Lease (subject to the right, title and interest of the Lessee under the Lease) insofar as the same relates to such Equipment and the right, title and interest of the Owner, as assignee of the Lessee, as sublessor under Sublease No. 1 (subject to the right, title and interest of the Sublessee under Sublease No. 1) insofar as the same relates to such Equipment, and provides for a present assignment of rentals and certain other sums due and to become due under the Lease and Sublease No. 1 payable with respect to such Equipment with the right and privilege to apply such rentals and other sums to the payment or prepayment of the Notes (subject to the Excepted Rights in Collateral set forth in Section 1.5 of the Security Agreements).

(d) Failure to Deliver. If on the Closing Date, the Owner fails to tender to the Note Purchasers the Notes to be purchased by the Note Purchasers or if the conditions to the obligations of the Note Purchasers specified in Section 4 hereof have not been

2.6. Expenses. If the transactions contemplated by this Agreement are consummated, the Trustor will pay the following expenses relating to the closing of the transactions contemplated by the Operative Agreements:

(a) the cost of reproducing the Operative Agreements and the Notes;

(b) on the Closing Date, the disbursements, expenses and reasonable fees of Messrs. Chapman and Cutler, special counsel for the Note Purchasers;

(c) on the Closing Date, the reasonable fees of Hunter, Keith, Marshall & Co., Incorporated for arranging the financing to be provided by the Note Purchasers;

(d) the cost of delivering to the home office of each Note Purchaser insured to the satisfaction of such Note Purchaser, the Notes purchased by such Note Purchaser on the Closing Date;

(e) fees and expenses of the Owner as trustee under the Trust Agreement; and

(f) fees and expenses of the Note Purchasers with respect to any consents, waivers or amendments to any of the Operative Agreements requested by the Owner or Trustor.

If no part of the transactions contemplated by this Agreement are consummated, the Sublessee agrees to pay such of the above-described expenses as have been actually incurred. Without limiting the foregoing, the Sublessee agrees to pay the fees and expenses of the Note Purchasers with respect to any consents, waivers or amendments to any of the Operative Agreements requested by any Person other than the Owner or the Trustor.

2.7. Substitution of Note Purchasers. If for any reason the Note Purchasers shall fail to purchase the Notes to be issued on the Closing Date, the Sublessee shall promptly use its best efforts to designate an alternative institutional investor or investors (as such term is defined in the Lease) (the "Substitute Purchasers") to be substituted for the Note Purchasers; provided that such Substitute Purchasers shall not be members of the Lessee Group (as such term is defined in Internal Revenue Service Revenue Procedure 75-21) and shall execute and deliver an amendment hereto in form and substance satisfactory to the Trustor, the Owner, the Sublessee and such Substitute Purchasers pursuant to which the Substitute Purchasers shall confirm their obligation to be bound by the terms hereof, including without limitation the obligations of the Note Purchasers hereunder. In the event that the interest rate payable in respect of the Notes to be

purchased by the Substitute Purchasers is other than as provided herein, the Sublessee agrees with the Owner and the Trustor to enter into an amendment of Sublease No. 1 and to cause the Lessee to enter into an amendment to the Lease adjusting (either upward or downward) the Periodic Rent rate and the Casualty and Termination Values (as such terms are defined in the Lease) payable in respect of each Item of Equipment to an amount (verified by independent auditors approved by the Sublessee whose calculations shall be submitted to the Sublessee) as shall cause the Trustor's Net Economic Return (computed on the same assumptions as were made by the Trustor in originally evaluating the transaction contemplated by this Participation Agreement) to equal the Trustor's Expected Net Economic Return (as such terms are defined in the Tax Indemnity Agreement). The Sublessee shall have 5 business days after receipt of the calculations to review adjustments in the Periodic Rent rate and Casualty and Termination Values and notify the Trustor in writing of any disagreement with respect thereto. On or before the expiration of such 5-day period, the Sublessee shall have the option to purchase the Equipment from the Owner at the purchase price contemplated by clauses (i), (ii) and (iv) of the next following paragraph of this Section 2.7.

In the event that (a) on or prior to November 15, 1982 no Substitute Purchaser has signed a commitment to purchase the Notes hereunder on or before December 1, 1982 or (b) on November 1, either Note Purchaser shall fail to purchase the Notes to be purchased thereby because of a material adverse change in the financial condition of the Sublessee, the Sublessee will repurchase the Equipment from the Owner for an amount equal to the sum of (i) the Lessor's Cost for the Equipment, (ii) interest on the portion of the Lessor's Cost of the Equipment provided by the Trustor in an amount equal to 11.9% for the period from and including September 30, 1982 to but not including the date of such repurchase (computed on the basis of actual days over a 360-day year), (iii) the out-of-pocket expenses of the Trustor (including legal fees) up to an amount of $25,000 and (iv) any interim interest paid by the Owner to Chemical Bank for interim financing of the Equipment, plus interest on such amount at the rate of 11.9% for the period from and including the date of payment of such interim interest to but not including the date of such repurchase of the Equipment. If on November 1, 1982 either Note Purchaser shall fail to purchase the Notes to be purchased thereby on account of any act or requirement of the Trustor, then the purchase price of the Equipment shall be as set forth above except that the Sublessee shall not be required to pay such out-of-pocket expenses of the Trustor.

In the event the Sublessee purchases the Equipment pursuant to this Section 2.7, such purchase shall be on on "as-is, where-is" basis and payment by the Sublessee shall be made in immediately available funds to the Owner for the account of the Trustor.

SECTION 3. WARRANTIES AND REPRESENTATIONS.

3.1. Warranties and Representations of the Trustor. The Trustor warrants and represents to the Note Purchasers and the Sublessee that:

(a) Trustor Organization and Authority; No Violation of Charter, By-laws, Indentures, etc. The Trustor (i) is a Massachusetts corporation duly organized, legally existing and in good standing under the laws of the Commonwealth of Massachusetts (ii) has full right, power and authority to enter into and perform the Operative Agreements to which it is a party and the performance or observance by the Trustor of any of its obligations thereunder does not violate any provisions of any law, any order of any court or governmental agency in proceedings to which the Trustor is a party, the Articles of Incorporation or By-laws of the Trustor, or any indenture, agreement or other instrument to which the Trustor is a party or by which it, or any of its property, may be bound, and will not be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Trust Estate other than Permitted Encumbrances.

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Trustor threatened, against or involving the Trustor in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would individually or in the aggregate materially and adversely affect the Equipment or the ability of the Trustor to enter into or perform the Operative Agreements to which it is a party.

(c) Title to the Trust Estate. The Trust Estate is free and clear of any liens or encumbrances which result from claims against the Trustor not related to the transactions contemplated by the Operative Agreements.

(d) No Defaults. To the knowledge of the Trustor, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under the Security Agreement has occurred and is continuing. The Trustor is not in violation in any material respect of any term of any of the Operative Agreements to which it is a party.

(e) Governmental Consent. No consent, approval or authorization of, or filing, registration or

qualification with, any governmental authority on the part of the Trustor is required in connection with the execution and delivery of the Operative Agreements to which it is a party.

(f) Execution of Agreements. The Operative Agreements to which the Trustor is a party have been duly authorized by all necessary action on the part of the Trustor and have been duly executed and delivered by the Trustor and constitute the legal, valid and binding obligations, contracts and agreements of the Trustor enforceable in accordance with their respective terms, except as such terms may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the availability of equitable remedies.

3.2. Warranties and Representations of the Owner. The Corporate Owner in both its individual and fiduciary capacities, warrants and represents to the Participants and the Sublessee that:

(a) Corporate Owner's Organization and Authority; No Violation of Charter, By-laws, Indentures, etc. The Corporate Owner (i) is a national banking association duly organized, legally existing and in good standing under the laws of the United States of America and has the power and authority under the laws of the United States of America and under the laws of the State of Utah to enter into and perform its obligations under the Trust Agreement and, acting as trustee thereunder, under this Participation Agreement, the Security Agreement, the Notes, and the Lease, and (ii) has full right, power and authority under the Trust Agreement to enter into and perform the Operative Agreements to which it is a party and to issue and deliver the Notes and the performance or observance by the Owner of any of its obligations hereunder or thereunder (in either its individual capacity or as such trustee, as provided for therein) will not be, inconsistent with its Charter or By-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to it under Federal banking law or the laws of the State of Utah, or any subdivision or agency thereof, and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or under Federal law or the laws of the State of Utah, or any subdivision or agency thereof, by any Federal, state or local

governmental authority or agency, except such as have been obtained, given or accomplished.

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Corporate Owner threatened, against or affecting the Corporate Owner in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would individually or in the aggregate materially and adversely affect the Trust Estate created by the Trust Agreement or the ability of the Corporate Owner to enter into or perform the Operative Agreements and to issue and deliver the Notes.

(c) Title to the Trust Estate. The Trust Estate is free and clear of any liens or encumbrances which result from claims against the Corporate Owner not related to the ownership of the Equipment or the adminisration of the Trust Estate under the Trust Agreement or the other Operative Agreements. The Corporate Owner has not by affirmative act conveyed title to the Trust Estate to any Person or subjected the Trust Estate to any lien or encumbrance other than Permitted Encumbrances.

(d) No Defaults. To the actual knowledge of a corporate trust officer of the Corporate Owner, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under the Security Agreement has occurred and is continuing. The Corporate Owner is not in violation in any material respect of any term of any of the Operative Agreements or the Notes.

3.3. Warranties and Representations of the Sublessee. The Sublessee warrants and represents to the Participants that the warranties and representations set forth in the form of Closing Certificate of the Sublessee attached hereto as Exhibit E are true and correct in all material respects on and as of the date hereof.

3.4. Private Offering. (a) The Owner warrants and represents to the other parties hereto that the Owner has not individually or in its fiduciary capacity directly or indirectly offered any of the Notes or the Beneficial Interest or any similar Security related to this transaction for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser.

(b) The Trustor warrants and represents to the other parties hereto that neither the Trustor nor any Person authorized or employed by the Trustor as agent or otherwise in connection with the placement of any Securities related to this transaction has offered any of the Notes or any similar Security of the Owner

related to this transaction for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser; nor has the Trustor or any Person authorized or employed by the Trustor as agent or otherwise in connection with the placement of any Security related to this transaction offered the Beneficial Interest or any similar Security related to this transaction for sale to or solicited offers to buy any thereof from, or otherwise approached or negotiated with, any prospective purchaser, except in accordance with the terms and provisions of Section 7 hereof.

(c) The Sublessee warrants and represents to the Participants and the Owner that neither the Sublessee nor Hunter, Keith, Marshall & Co., Incorporated (the only Person authorized or employed by the Sublessee as agent or otherwise in connection with the placement of the Notes or any similar Security of the Sublessee) has offered any of the Notes or any similar Security of the Sublessee or the Lessee for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser other than the Note Purchasers and not more than eight other financial institutions, each of whom were offered the Notes at private sale for investment.

(d) The Sublessee warrants and represents to the Participants that the Sublessee has not offered any Beneficial Interest or other similar Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser, other than the Trustor and not more than twenty other financial institutions, each of whom was offered the Beneficial Interest at private sale for investment.

(e) The Sublessee and, except as provided in Section 7, hereof, the Owner and the Trustor, severally agree that neither any of them nor anyone acting on behalf of any one or more of them will offer

(i) the Beneficial Interest or any part thereof or any similar Security for issue or sale to, or solicit any offer to acquire any of the Beneficial Interest from, anyone so as to bring the issuance and sale of the Beneficial Interest within the provisions of Section 5 of the Securities Act of 1933, as amended or,

(ii) the Notes or any part thereof or any similar Security for issue or sale to, or solicit any offer to acquire any of the Notes from, anyone so as to bring the issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

3.5. Representations of the Participants; Transfer of Beneficial Interest. (a) Authority of Note Purchasers; No Violation of Charter, By-laws, Indentures, etc. Each Note Purchaser for itself represents and warrants to the Owner, the Trustor and the Sublessee that:

(i) it has full right, power and authority to enter into and perform its obligations under this Agreement;

(ii) this Agreement does not, nor will the performance of its obligations hereunder, violate the provisions of any charter instrument, By-law, indenture, mortgage, loan or credit agreement or other instrument to which it is a party or by which it may be bound; and

(iii) no consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is necessary in connection with its execution or performance of this Agreement or to the extent such approval, consent or other action is necessary, the same has been obtained and is in full force and effect.

(b) Purchase for Investment. Each Participant represents to each other Participant, the Owner and the Sublessee that such Participant is purchasing the Interest to be acquired by it for the account of such Participant for investment and with no present intention of distributing or reselling such Interest or any part thereof (subject only to Section 7 hereof insofar as the Trustor is concerned), but without prejudice, however, to the right of such Participant at all times to sell or otherwise dispose of all or any part of such Interest under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. Each Participant acknowledges that none of the Interests has been registered under the Securities Act of 1933, as amended, and that neither the Owner nor the Sublessee contemplates filing, or is legally required to file, any such registration; and the Note Purchaser has been advised that the Notes must be held indefinitely unless the Notes are subsequently registered under said Securities Act or an exemption from such registration is available.

(c) Employee Retirement Income Security Act of 1974. Each Participant represents and warrants to the Sublessee, the Owner and the other Participant that, for the sole purpose of determining whether any party hereto may be liable under Section 4975 of the Code or may violate Section 406 of ERISA, such Participant is not acquiring the Interest to be acquired

by it hereunder, directly or indirectly, with the assets of or in connection with any arrangement by it in any way involving an employee benefit plan (or its related trust) as defined in Section 3(3) of ERISA, as interpreted in Technical Information Release 1346 of the Internal Revenue Service and the related Interpretive Bulletin ERISA IB 75-2 of the Department of Labor, or with the assets of any plan (or its related trust) as defined in Section 4975(e)(1) of the Code, other than a plan, if any, which is a governmental plan (or its related trust) as defined in Section 3(32) of ERISA or in Section 414(d) of the Code.

(d) Reaffirmation on the Closing Date. The purchase of the Notes by the Note Purchasers on the Closing Date shall constitute reaffirmation by each Note Purchaser of its representations set forth in this Section 3.5 as of the Closing Date.

(e) Restrictions on Transfer of Owner Interest. The Trustor agrees that it will not transfer or assign any or all of its Beneficial Interest or cause or permit the transfer or assignment of any or all of the Trust Estate except in accordance with the terms and conditions of Section 7 hereof.

SECTION 4. CLOSING CONDITIONS.

The obligations of the Note Purchasers to make the investment specified in Section 2.2 hereof shall be subject to the following conditions:

(a) Execution of Agreements. On or before the Closing Date, the Trust Agreement, this Agreement, the Lease and Lease Supplement Nos. 1A through 1D thereto, Sublease No. 1 and Lease Supplement Nos. 1A through 1D thereto, the Security Agreements, the Acquisition Agreement and all amendments to said agreements required by the Participants or their respective counsel, shall have been duly executed and delivered by the parties hereto and shall be in full force and effect.

(b) Recording of Leases. On or before the Closing Date, the Lease and Sublease No. 1 and all supplements and amendments relating thereto (and/or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) describing the Equipment shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by the Note Purchasers or their counsel in order to protect the rights of the Owner as lessor under the Lease and of the Lessee as sublessor under Sublease No. 1 and to perfect the respective rights, title and interests of the Note Purchasers in and to the Lease and Sublease No. 1 and the rents due and to

become due under the Lease and Sublease No. 1. By such recording or filing, the Owner, the Lessee and the Sublessee are not acknowledging or implying that either the Lease or Sublease No. 1 constitutes a "security agreement" or creates a "security interest" within the meaning of any applicable Uniform Commercial Code.

(c) Recording of Security Agreements. On or before the Closing Date, the Security Agreements (and/or financing statements or similar notices thereof if and to the extent permitted or required by applicable law) describing the Equipment shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by the Note Purchasers or their counsel in order to perfect the respective security interests provided by the Security Agreements.

(d) Sale Documents. On or before the Closing Date, the Note Purchasers shall have received executed or certified copies of each of the following documents:

(i) Such invoices and other written agreements or certificates supporting the amount of the Lessor's Cost of the Equipment as the Note Purchasers may reasonably request;

(ii) A bill of sale for each Item of Equipment signed by the Lessee or other Seller thereof warranting that as of the date thereof the Lessee or such Seller, as the case may be, had good title thereto and that said bill of sale is valid and effective to, and does, transfer good title to such Item of Equipment to the Owner free and clear of all liens and encumbrances; and

(iii) An opinion of counsel for the Lessee and each other Seller of an Item of Equipment, to the effect that the bill of sale for such Item of Equipment has been duly authorized, executed and delivered by the Lessee or such Seller, as the case may be, and constitutes the legal, valid and binding contract of the Lessee or such Seller, as the case may be, enforceable in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, and that the Owner has good and marketable title to such Item of Equipment free and clear of all liens and encumbrances and any claims of third parties.

(e) Evidence of Insurance. On or before the Closing Date, the Note Purchasers shall have received evidence of the maintenance of insurance required by Section 7 of the Lease.

(f) Certificate of Sublessee. On the Closing Date, the Note Purchasers shall have received executed copies of a Certificate dated such date signed by the President, a Vice President, the Treasurer or an Assistant Treasurer of the Sublessee in substantially the form attached hereto as Exhibit E, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make the investment contemplated by Section 2 hereof.

(g) Certificate of Lessee. On the Closing Date, the Note Purchasers shall have received executed copies of a Certificate dated such date signed by the President, a Vice President, the Treasurer or an Assistant Treasurer of the Lessee, the truth and accuracy of which shall be a condition to the obligation of such Participant to make the investment contemplated by Section 2 hereof, to the effect that the representations and warranties of the Lessee contained in Section 21 of the Lease are true in all material respects and that the Lessee has performed and complied with all agreements and conditions contained in the Lease which are required to be performed or complied with by the Lessee on or before said Date.

(h) Certificate of Trustor. On the Closing Date, the Note Purchasers shall have received a certificate dated such date signed by the President or Vice President of the Trustor, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make their investment contemplated by Section 2.2 hereof, to the effect that the representations and warranties of the Trustor contained in Sections 3.1, 3.4 and 3.5 hereof are true in all material respects and that the Trustor has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Trustor on or before said Date.

(i) Certificate of Trustee. On the Closing Date, the Note Purchasers shall have received a certificate dated such date signed by an authorized officer of the Owner, the truth and accuracy of which shall be a condition to the obligation of the Note Purchasers to make their investment contemplated by Section 2.2 hereof, to the effect that the representations and warranties of the Owner contained in Sections 3.2 and 3.4 hereof are true in all material respects on the

Closing Date with the same effect as though made on and as of said date and that the Owner has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Owner on or before said Date.

(j) Opinions of Counsel. On the Closing Date, the Note Purchasers shall have received the favorable written opinions of counsel for the Sublessee and the Lessee, the Trustor, the Trustee and Messrs. Chapman and Cutler, who are acting as special counsel for the Note Purchasers in connection with the transactions contemplated by this Agreement, described in Exhibits F, G, H, I and J hereto.

(k) No Legal Impediment. No change shall have occurred in applicable laws or regulations or any interpretations thereof, which might make it illegal for the Note Purchasers to participate in any of the transactions contemplated hereby or by the other Operative Agreements.

(l) Trustor Advance. The Trustor shall have made the investment specified in Section 2.1 hereof.

(m) Proceedings Satisfactory as of Closing Date. All proceedings taken in connection with the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory to the Note Purchasers and their special counsel, and such special counsel shall have received copies of such documents and papers as the Note Purchasers or such special counsel may reasonably request in connection therewith or as a basis for such special counsel's closing opinion, all in form and substance satisfactory to the Note Purchasers and such special counsel.

SECTION 5. HOME OFFICE PAYMENT OF NOTES.

Notwithstanding any provision to the contrary in this Agreement, the Security Agreements or the Notes, the Owner will cause and permit all amounts payable to the Note Purchasers with respect to any Notes held thereby or by a nominee or affiliate thereof to be paid to the Note Purchasers or such nominee or affiliate, as the case may be (without any presentment thereof and without any notation of such payment being made thereon) as provided in Schedule 2 hereto. Each Note Purchaser agrees that if it shall sell or transfer any Note or any portion thereof it will present such Note for transfer and notation as provided in Sections 7.4 and 7.5 of the Security Agreement to which it is a party.

SECTION 6. INDEMNIFICATION BY TRUSTOR WITH RESPECT TO CERTAIN TAXES.

The Trustor agrees to take such action as may be necessary to discharge, or cause the Owner to discharge, any lien, charge or encumbrance on any part of the Trust Estate which results from any act of or claim against the Trustor or the Owner not related to or connected with the ownership, leasing, use or operation of the Equipment, the administration of the Trust or to any transaction contemplated by this Agreement or the other Operative Agreements.

SECTION 7. TRANSFER AND ASSIGNMENT OF TRUST ESTATE AND BENEFICIAL INTEREST.

(a) Terms and Conditions. By their execution hereof the Owner, the Note Purchasers and the Sublessee understand and agree that it is the intention of the Trustor to arrange for or otherwise cause to be created additional trusts (the "Secondary Trusts") and to further arrange for or otherwise cause the transfer or assignment in accordance with Regulation D of the Securities Act of 1933, as amended, of the beneficial interests thereunder to purchasers which shall hold the beneficial interests so acquired as beneficial interests under the Secondary Trusts. The Trustor understands and agrees that any such transfer or assignment of all or any part of the Trust Estate or of the Beneficial Interest relating thereto may be made solely upon the terms and conditions hereinafter set forth:

(i) The number of Secondary Trusts so created shall not at any time exceed ten; the Secondary Trusts owning Group A and Group B Equipment shall not at any time have outstanding in the aggregate more than three Notes secured by or otherwise relating to such Items of Equipment nor shall any such Note individually be less than $850,000 in original principal amount; the Secondary Trusts owning Group C and Group D Equipment shall not at any time have outstanding in the aggregate more than seven Notes secured by or otherwise relating to such Items of Equipment, no more than two of which individually shall be less than $600,000 in original principal amount and the remaining five of which shall individually be at least $950,000 in original principal amount, it being understood and agreed that for purposes of this limitation, beneficial interests or certificates evidencing the same shall not be counted; transfers or assignments shall occur on not more than three dates and all such transfers or assignments shall be completed in their entirety by December 31, 1982; there shall be no more than 35 purchasers of beneficial interests in the aggregate unless in the written opinion of Messrs. Gaston Snow & Ely Bartlett, satisfactory in form and substance to the Sublessee and the Note Purchasers, the issuance, offer, sale and delivery of beneficial interests in the Secondary Trusts are not integrated as described in Rule 501

of Regulation D of the Securities Act of 1933, as amended; (6) the purchasers and legal owners of any portion of the Trust Estate so transferred or assigned shall be First Security Bank of Utah, National Association, and Robert S. Clark, as trustees under a Secondary Trust and each purchaser of any beneficial interest so transferred or assigned and/or each holder of any beneficial interest or interests under any such Secondary Trust shall on and as of the date of any such transfer or assignment be either an "accredited investor" as defined in Rule 501 of the Securities Act of 1933, as amended or shall have, either alone or with his or her representative(s), such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in such beneficial interest (the "Secondary Purchasers"); (7) and the Trustor shall comply with all state laws with respect to the sale of securities relating to the foregoing;

(ii) The form and substance of any instruments offering or purporting to offer for sale, transfer or assignment all or any part of the Trust Estate or the Beneficial Interest shall be valid and effective for such purpose under state and Federal law, shall comply with all state and Federal laws relating to the sale of Securities, and shall contain all disclosures required thereby, and shall not omit any information required to comply therewith;

(iii) The form and substance of any instruments documenting the substitution for or replacement of the Trust Agreement, the Notes and the Security Agreements with the trust agreements, notes and security agreements of the Secondary Trusts, together with any other certificates or instruments necessary therefor, shall be satisfactory to the Note Purchasers and the Sublessee; provided that the Note Purchasers and the Sublessee understand and agree that in any event the limitations of liability of the Owner contemplated by Section 8 hereof, Section 6 of the Security Agreement and the last paragraph of the Notes shall pertain only to First Security Bank of Utah, National Association, and Robert S. Clark, in their individual capacities and in no way shall limit the liability of the Secondary Trusts or the beneficiaries thereunder with respect to the obligations evidenced by the notes and the security agreements entered into by the Secondary Trusts, and provided further that if the form of the notes and security agreements entered into by the Secondary Trusts are in substantially the form of the Notes and the Security Agreements, are of the same force and

effect and shall comply with all requirements of state and Federal law, the form and content thereof shall be deemed to be satisfactory to the Note Purchasers and the Sublessee;

(iv) The Note Purchasers shall have received, filed or recorded uniform commercial code financing statements, and agreements or other instruments filed or recorded with the Interstate Commerce Commission, in form and substance satisfactory to the Note Purchasers, evidencing the continuation of the prior perfected security interests of the Note Purchasers in the collateral under the Security Agreements;

(v) The Note Purchasers and the Sublessee shall have received a certificate, dated the date of any transfer or assignment as contemplated hereby, of the trustees under the Secondary Trusts to the effect set forth in Section 3.2 hereof (but with respect to each of such Secondary Trusts);

(vi) The Note Purchasers and the Sublessee shall have received an opinion of counsel to the trustees under the Secondary Trusts satisfactory in form and substance to said parties and to the effect set forth in Exhibit J hereto (but with respect to each of such Secondary Trusts);

(vii) In connection with any such transfer or assignment, the Note Purchasers, the Sublessee and the Owner shall have received an opinion of Messrs. Gaston Snow & Ely Bartlett, as counsel to the Trustor, satisfactory in form and substance to said parties and to the effect that the issuance, offer, sale and delivery of the Trust Estate to the Secondary Trusts and of the Beneficial Interest to the Secondary Purchasers under the Secondary Trusts do not, under existing law, require the registration of any such interest under the Securities Act of 1933, by virtue of the exemption from such registration provided by Regulation D thereunder, the Securities Exchange Act of 1934, the Investment Company Act of 1940 or the qualification of any agreement relating thereto under the Trust Indenture Act of 1939 nor does such issuance, offer, sale and delivery of any such interest otherwise constitute a violation of any other provisions, rules or regulations of the foregoing statutes, or any provisions of any state securities or "Blue Sky" laws, it being understood and agreed that in rendering the opinions herein called for, such counsel may rely upon certificates of persons as to matters of fact or upon opinions of other counsel regarding matters relevant thereto (which certificates and opinions shall be attached to any opinions of such counsel and shall be in form and substance acceptable to the Note Purchasers and the Sublessee), all as such counsel may deem necessary for purposes of rendering such opinions; and

(viii) No Secondary Trusts shall at any time own any property, real, personal or mixed, other than the Equipment unless and to the extent that any such property is free and clear of any lien, claim or encumbrance or such lien, claim or encumbrance shall attach solely to such property and not to the Equipment and any such Secondary Trust shall by its terms expressly so provide and the holder or beneficiary of any such lien, claim or encumbrance shall furnish the Sublessee and the Note Purchasers with a written acknowledgment to the effect that such lien, claim or encumbrance attaches solely to such property and not to the Equipment.

(b) Indemnification. The Trustor warrants and agrees that any issuance, sale, transfer and delivery of all or any part of the Trust Estate or of all or any of the Beneficial Interest will be made solely in accordance with the terms and provisions of this Section 7. The Trustor hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Note Purchasers and any other from time to time holders of the Notes and the Sublessee from and against any and all losses, damages, claims, demands and expenses, legal or otherwise (including court costs and attorneys fees reasonably incurred), of whatsoever kind and nature arising as a result of the violation by the Trustor of any or all of the provisions of Section 7 or of any law relating thereto. The Trustor further agrees that any liability which it may incur hereunder shall not have the benefit of or be limited by the provisions of Section 8 hereof, Section 7 of the Security Agreement or the last paragraph of the Notes, nor shall the Lessee or Sublessee be liable to indemnify the Trustor therefor under Section 6 of the Lease or of Sublease No. 1.

SECTION 8. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Owner, the Trustor, the Sublessee, the Note Purchasers and any holder of any Note and their respective successors and assigns that this Agreement is executed by the Corporate Owner and Robert S. Clark, not individually or personally but solely as trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such trustees, that each and all of the representations, undertakings and agreements herein made on the part of the Owner are each and every one of them made and intended not as personal representations, undertakings and agreements by the Corporate Owner or Robert S. Clark, or for the purpose or with the intention of binding the Corporate Owner or Robert S. Clark, personally, but are made and intended for the purpose of binding only the Trust Estate, that this Agreement is executed and delivered by the Corporate Owner or Robert S. Clark, solely in the exercise of the powers expressly conferred upon the Corporate Owner and Robert S. Clark, as trustees under the Trust Agreement, that actions to be taken by the Owner pursuant to its obligations hereunder may, in certain instances, be taken by the Owner only upon specific authority of the Trustor, that

nothing herein contained shall be construed as creating any liability on the Corporate Owner or Robert S. Clark, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, the Corporate Owner to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Note Purchasers and the holder of any Note and by any person claiming by, through or under the Note Purchasers or any holder of any Note, and that so far as the Corporate Owner and Robert S. Clark personally are concerned, the Note Purchasers, and the holder of any Note and any person claiming by, through or under the Note Purchasers or any holder of any Note shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; provided that nothing contained in this Section 8 or in the last paragraph of the Notes or in Section 6 of the Security Agreement shall be construed to limit in scope or substance those representations and warranties of the Corporate Owner, in its individual capacity set forth in Sections 3.2, 3.4 and 9.6 hereof and in the second sentence of Section 2.2 of the Security Agreement or limit the liability of the Corporate Owner in its individual capacity therefor or for gross negligence or willful misconduct.

SECTION 9. MISCELLANEOUS.

9.1. Amendments and Waivers. Any term, covenant, agreement or condition of this Agreement may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by an instrument or instruments in writing executed by each of the Participants, the Owner and the Sublessee; provided that any such party may as to its rights waive in writing the requirements of any provision hereof which are for its benefit.

9.2. Notices. Any notice provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or otherwise actually received or five business days after being deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Owner:

First Security Bank of Utah,
National Association, as
Trustee under Lone Star Steel
Company Trust No. 82-1
79 South Main Street
Salt Lake City, Utah 84111
Attention: Trust Division - Corporate
Trust Department

(with a copy to the Trustor)

If to the Trustor:

At its address set forth in
Schedule 1 hereto

If to the Lessee:	Lone Star Steel Company P.O. Box 35888 2200 West Mockingbird Lane Dallas, Texas 75235 Attention: Vice President and Controller
	(with a copy to the Sublessee)
If to the Sublessee:	Philadelphia and Reading Corporation c/o Northwest Industries, Inc. 6300 Sears Tower Chicago, Illinois 60606 Attention: Treasurer
If to any Note Purchaser:	At its address set forth in Schedule 2 hereto
With a copy to Messrs. Chapman and Cutler:	111 West Monroe Street Chicago, Illinois 60603 Attention: Robert Nash, Esq.

or at such other place as any such party may designate by notice given in accordance with this Section.

9.3. Survival. All warranties, representations and covenants made by the Sublessee, the Owner or any Participant herein or in any certificate or other instrument delivered by any such party or on the behalf of any such party under this Agreement shall be considered to have been relied upon by each other party hereto and shall survive the consummation of the transactions contemplated hereby on the Closing Date regardless of any investigation made by any such party or on the behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations by the party so making the same.

9.4. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns.

9.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

9.6. Receipt of Funds by Owner. In the event the Owner shall receive any payment of rental or other payment under the Lease or Sublease No. 1 which shall have been assigned to the Note Purchasers, the Owner agrees to wire transfer such funds to the Note Purchasers at the addresses set forth in Schedule 2 hereto on the date of receipt of such funds if they are, when received by the Owner, current and immediately available prior to noon Salt Lake City time, or if such funds are received after 12:00

noon on the next day on which the Owner shall be open for business, or if such funds received shall not be current and immediately available, on the date the Owner shall have current and immediately available funds. Notwithstanding Section 7 hereof, the Owner shall be liable in its individual capacity to pay interest at the rate of 13.875% per annum for any period the Owner shall have current and immediately available funds and shall not wire transfer them to the Note Purchaser which has purchased the Series A and Series B Notes in conformance with this Section 9.6 and 14.25% per annum for any period the Owner shall have current and immediately available funds and shall not wire transfer them to the Note Purchaser which has purchased the Series C and Series D Notes in conformance with this Section 9.6.

9.7. Counterparts. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Agreement.

9.8. Headings and Table of Contents. The headings of the sections of this Agreement, the Table of Contents and the Recitals are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

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

SUBLESSEE: PHILADELPHIA AND READING CORPORATION

By _____
Its Vice President & Treasurer

TRUSTOR: AMERICAN FINANCE GROUP, INC.

By _____
Its _____

NOTE PURCHASER: STATE OF WISCONSIN INVESTMENT BAORD

By _____
Its _____

NOTE PURCHASER: UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA

By _____ JAA
Its VICE PRESIDENT

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, as Trustee under the Trust Agreement hereinabove referred to and, to the extent contemplated by Section 7 hereof, in its individual capacity

By _____
Authorized Officer

_____ (L.S.)
ROBERT S. CLARK, as trustee under Lone Star Steel Company Trust No. 82-1

Name and Address of Trustor	Proportional Share of Owner Interest
AMERICAN FINANCE GROUP, INC. One Liberty Square Boston, Massachusetts 02109 Attention: Treasurer	100%

SCHEDULE 1
(to Participation Agreement)

Name and Address of Note Purchasers	Series of Notes to Be Purchased
STATE OF WISCONSIN INVESTMENT BOARD 201 East Washington Avenue P.O. Box 7842 Madison, Wisconsin 53707 Attention: Investment Director-Private Placements All notices and communications to be addressed as above, but all payments to be addressed as follows: By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to: First Wisconsin National Bank of Milwaukee 777 East Wisconsin Avenue Milwaukee, Wisconsin 53202 for deposit to the account of the State Treasurer with telephone advice to the State of Wisconsin Investment Board	Series C and Series D

Form of Notes to be Issued: Registered
Name of Nominee: None

SCHEDULE 2
(to Participation Agreement)

Name and Address of Note Purchasers	Series of Notes to Be Purchased
UNIONMUTUAL STOCK LIFE INSURANCE CO. OF AMERICA 2211 Congress Street Portland, Maine 04122 Attention: Bond Investment Division All notices and communications to be addressed as above, but all payments to be addressed as follows: By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to: Federal Reserve Bank of Boston for the account of Casco/Portland, Account Number 011200022 For credit to Unionmutual Stock Life Insurance Co. of America Account No. 000-039-976 Form of Notes to be Issued: Order Name of Nominee: None	Series A and Series B

LONE STAR BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS THAT:

First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982 (the "Lone Star Trust Agreement"), (hereinafter referred to as "Vendor"), having their principal office and place of business at 79 South Main Street, Salt Lake City, Utah 84111 in consideration of the sum of ONE MILLION SEVENTY THOUSAND AND 00/100 ($1,070,000) and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto First Security Bank of Utah, N.A. and Robert S. Clark, not in their individual capacities but solely as trustees under the Amended and Restated Trust Agreement for "AFG Leasing Venture No. 933" dated as of October 26, 1982, (hereinafter referred to as "Vendee"), having their principal place of business at 79 South Main Street, Salt Lake City, Utah 84111, all of Vendor's estate, right, title and interest in and to the equipment consisting of the items of equipment listed and described on Schedule A hereto (the "P & R Equipment"), and all other rights including all warranties, express or implied, received from the manufacturer thereof or by reason of Vendor's purchase of the P & R Equipment from the manufacturer thereof.

VENDOR, not in its individual capacity but solely as trustees under the Lone Star Trust Agreement, hereby warrants to VENDEE that it is the lawful owner of said goods and chattels; that except as set forth below the same are free from any security interest or other lien or encumbrance created by Vendor (other than those created pursuant to the Lone Star Operative Agreements as defined in the Lone Star Trust Agreement) or which result from any claims asserted against Vendor in its individual capacities which are not related to the ownership of the Lone Star Equipment or to the administration of the Trust Estate as defined in the Lone Star Trust Agreement or to any other transaction pursuant to the Lone Star Trust Agreement or the Operative Agreements as defined in the Lone Star Trust Agreement; that it has good right and authority to sell the same; and that it will warrant and defend the same against the claims and demands of all persons.

This transfer and sale is made, and the Vendee take title to the P & R Equipment, subject to (i) the Notes and Security Agreements listed and described on Schedule B hereto (the "Mortgage"), but in no event shall the Vendee (or any beneficiary of the trust of which they are trustees) assume any personal liability under or with respect thereto except as expressly provided for in any assignment and assumption agreement or subordination agreement, and (ii) the Leases set forth on Schedule C.

TO HAVE AND TO HOLD all and singular the above described assets and properties unto said Vendee, its successors and assigns, forever.

IN WITNESS WHEREOF, Vendor has caused this instrument to be duly executed this day of December, 1982.

ROBERT S. CLARK, not in his individual capacity but solely as trustee

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as trustee

_____

By: _____

Title: _____

The undersigned, First Security Bank of Utah, N.A. and Robert S. Clark, not in their individual capacities but solely as trustees under the Amended and Restated Trust Agreement for "AFG Leasing Venture No. 933" dated as of October 26, 1982, do hereby accept the foregoing transfer and assignments this day of December, 1982.

Individual Trustee

_____

Robert S. Clark

Corporate Trustee

FIRST SECURITY BANK OF UTAH, N.A.

By: _____

Title: _____

SCHEDULE A
TO
LONE STAR BILL OF SALE

DESCRIPTION OF EQUIPMENT

Group C-2

Description of Item	Seller	Group	Serial No.	Lessor's Cost**	Place of Delivery and Location
Rebuilt Super-switcher (3)	*	C-2	TN55/56/57	$1,070,000	Lone Star, Tx
Total Lessor's Cost				$1,070,000	

* Seller for each item of equipment listed and described above is First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement entitled "Lone Star Steel Company Trust No. 82-1" dated as of September 30, 1982.

** Lessor's Cost shall also mean the cost to the Owner Trustees, defined as First Security Bank of Utah, National Association, and Robert S. Clark, not in their individual capacities but solely as trustees under Amended and Restated Trust Agreement for "AFG Leasing Venture No. 933" dated as of October 26, 1982.

SCHEDULE B

to

LONE STAR BILL OF SALE

Description of the Mortgage

The Mortgage is a Secured Note in the principal sum of $911,656.96, dated as of December 15, 1982, by and between First Security Bank of Utah, National Association and Robert S. Clark, as trustees (the "Debtor") under the Amended and Restated Trust Agreement dated as of October 26, 1982 and State of Wisconsin Investment Board and a Security Agreement dated as of September 30, 1982 from First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 ("Debtor") to State of Wisconsin Investment Board ("Secured Party") as assigned pursuant to the Assignment and Assumption Agreement dated as of December 15, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement dated as of September 30, 1982 and entitled Lone Star Steel Company Trust No. 82-1 (the "Lone Star Trustees" and the "Seller"), First Security Bank of Utah, National Association and Robert S. Clark (the "Owner Trustees"), not in their individual capacities but solely as trustees under an Amended and Restated Trust Agreement entitled "AFG Trust 933" and dated as of October 26, 1982, among them and American Finance Group, Inc. as trustor and certain beneficiaries identified in the Owner Trust Agreement (the "Beneficiaries").

SCHEDULE C

to

LONE STAR BILL OF SALE

Description of the Leases

The Leases are a Lease Agreement dated as of September 30, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, as trustees under Lone Star Steel Company Trust No. 82-1 ("Lessor") and Lone Star Steel Company ("Lessee") and Lease Supplement No. 1C as it relates to the equipment, by and between Lessor and Lessee, as assigned pursuant to the Assignment and Assumption Agreement dated as of December 15, 1982 by and between First Security Bank of Utah, National Association and Robert S. Clark, not in their individual capacities but solely as trustees under a Trust Agreement dated as of September 30, 1982 and entitled Lone Star Steel Company Trust No. 82-1 (the "Lone Star Trustees" and the "Seller"), First Security Bank of Utah, National Association and Robert S. Clark (the "Owner Trustees"), not in their individual capacities but solely as trustees under an Amended and Restated Trust Agreement entitled "AFG Trust 933" dated as of October 26, 1982, among them and American Finance Group, Inc. as trustor and certain beneficiaries identified in the Owner Trust Agreement (the "Beneficiaries"); all subject to Sublease Agreement No. 1 dated as of September 30, 1982 by and between Lone Star Steel Company ("Lessor") and Philadelphia and Reading Corporation ("Lessee") and Lease Supplement No. 1C as it relates to the equipment, by and between Lessor under the Sublease Agreement No. 1 and Lessee under the Sublease Agreement No. 1.