RECORDATION NO. 20737 FILED

JUN 27 '97 10-00AM

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RECORDATION NO. 20737-A FILED

JUN 27 '97 10-00AM

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RECEIVED
SURFACE TRANSPORTATION BOARD

Counterparts - Ethel M. Lin

June 26, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two copies of a Locomotive Lease Agreement dated February 14, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents, and the following secondary document related thereto: a Chattel Paper and Equipment Purchase Agreement, dated June 9, 1997.

The names and addresses of the parties to the enclosed documents are:

<u>Locomotive Lease Agreement</u>

Lessor: Relco Locomotives, Inc.
113 Industrial Avenue
Minooka, Illinois 60447

Lessee: North Star BHP Steel Ltd.
6767 County Road 9
Delta, Ohio 43515

Chattel Paper and Equipment Purchase Agreement

Lessor: Relco Locomotives, Inc.
113 Industrial Avenue
Minooka, Illinois 60447

Lessee: Charter Financial, Inc.
153 East 53rd Street
New York, New York 10022

A description of the railroad equipment covered by the enclosed documents is: two locomotives bearing the reporting mark and road numbers RE 897 and RE 898.

Also enclosed is a check in the amount of $48.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed documents to the undersigned.

Very truly yours,

Robert W. Alvord

RWA/bjg
Enclosures

RELCO LOCOMOTIVES, INC.

113 INDUSTRIAL AVENUE • MINOOKA, IL 60447-0058 • 815-467-3030 • FAX 815-467-6060

RECORDATION NO. 20737 FILED

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LOCOMOTIVE LEASE AGREEMENT

THIS AGREEMENT, made and entered into this fourteenth day of February, 1996 by and between RELCO LOCOMOTIVES, INC., an Illinois Corporation, having its principle office in the city of Minooka, Illinois (hereinafter referred to as "Lessor") and North Star BHP L.L.C., a Delaware limited liability company, dba **North Star BHP Steel Ltd** whose address is in Delta, Ohio (hereinafter referred to as the "Lessee").

WITNESSED:

WHEREAS, Lessee desires to lease from Lessor for use in its business operations, the locomotives hereinafter described upon the terms and conditions herein set forth; and

WHEREAS, Lessor agrees to furnish the locomotives hereinafter described and is willing to lease the same to Lessee upon the terms and conditions herein set forth.

NOW THEREFORE, the parties hereto, for and in consideration of the mutual covenants and promises herein set forth and other good and valuable consideration, receipt and sufficiency of which is acknowledged, agree as follows;

1. LOCATION OF USE AND DESCRIPTION OF LOCOMOTIVES. Lessor leases and lets unto Lessee and Lessee accepts and takes from Lessor for use at its Delta, Ohio facility the two locomotives identified as E.M.D., 1000 H.P., 125 ton locomotives. RE 897, 898

2. RENT. Commencing on the date Lessee takes possession of the aforesaid locomotives, and thereafter during the term hereof and until possession of said locomotives is surrendered to Lessor, Lessee shall pay to Lessor for rental of said locomotives the sum as calculated for in Exhibit A.

The first payment of the base rate is due on or before the date Lessee takes possession of the aforesaid locomotive. The base monthly rental is due on the first day of each month and in addition to said base monthly rental, the Lessee shall pay to Lessor at the end of each month the fixed maintenance charge and hourly rate charge for each hour the Diesel engines of the locomotives were in operation during the month as per schedule A. The Lessee shall furnish to Lessor, not later than the first day of each month during the term of their lease, the current engine hour meter readings. In the event the locomotives are out of service for repairs for more than one day during any month during the term of this lease, the base monthly rental charge for any such month will be reduced one thirtieth for each full day the locomotives are out of service. This credit will not apply if the repairs are necessitated by damage caused by the Lessee's negligence or abuse of the locomotive.

3a. LEASE TERM. This locomotive lease shall be for an initial term of five years commencing with taking possession of the locomotive by Lessee, and shall continue from year to year after the conclusion of such initial term until terminated by either party hereto by such party giving to the other party thirty days notice in writing of its election to terminate this lease. In such event, this lease shall terminate at the expiration of said thirty day period following notice.

3b. ASSIGNMENT OF LEASE. This lease shall be assignable by Lessor and by its assigns without the consent of Lessee, but Lessee shall not be obligated to any assignee of Lessor except upon written notice of such assignment from Lessor or such assignee. Notwithstanding anything to the contrary contained herein, the obligation of lessee to pay Rental to such assignee shall be absolute and unconditional and shall not be affected by any circumstances whatsoever and such payment shall be made without interruption or abatement notwithstanding any event or circumstance whatsoever, including, without limitation, the bankruptcy or insolvency of Lessee or any disaffirmance of this Lease by or on behalf of Lessee, and notwithstanding any defense, setoff recoupment or counterclaim or any other right whatsoever, whether by reason of breach of this Lease or otherwise which Lessee may now or hereafter have against Lessor and whether any such event shall be by reason of any act or omission of lessor or otherwise provided however, that nothing herein contained shall effect any right of Lessee to enforce against Lessor any claim which lessee may have against Lessor in any manner other than by abatement, attachment or recoupment of interference with, or set-off, counterclaim or defense against, the aforemention payments to be made to such assignee. Lessee's undertaking herein to pay the Rental to and to perform the other obligations of Lessee hereunder for the benefit of an assignee of Lessor shall constitute a direct, independent and unconditional obligation of Lessee to said

assignee. Lessee also acknowledges and agrees that any assignee of Lessor's interest in this lease shall have the right to exercise all rights, privileges and remedies (either in its own name or in the name of Lessor) which by terms of this lease are permitted to be exercised by Lessor.

4. RADIO REMOTE CONTROL SYSTEM. Where as the Lessee desires the locomotives to be equipped with a radio remote control system, the Lessor will supply, install, and maintain a Cattron Remote Control System as described in Exhibit A.

(a) Lessor's maintenance of the system does not include damage or abuse of the system, such as physical damage to the transmitter box, nor does it cover the transmitter batteries.

(b) Lessor's maintenance of the system does not include any responsibility for loss of production or consequential damage that the Lessee may incur as a result of a failure of the radio remote control system. Lessor will respond to reported service difficulties within 24 hours of notification by Lessee.

(c) All provisions of paragraph #14 entitled "Lessor's Indemnity" contained in this locomotive lease agreements shall include the radio remote control as an integral part of the locomotive.

(d) The remote control system shall become the property of the Lessee at the end of the lease term. Subsequent lease extensions shall not include a base rate for the remote control, however, a maintenance fee will apply. In the event the locomotive lease agreement is canceled by the Lessee, for any reason, other than default by Lessor, before the end of the five year period (60 months), after the installation of the radio remote control, the Lessee shall pay, in full, the outstanding balance of the remaining monthly lease payments due for the radio remote control. Once the outstanding balance has been paid, the remote control system shall become the property of the Lessee. The Lessee would be responsible for the removal of the remote control system from the leased locomotive and the restoration of the leased locomotive to its original condition prior to installation of the remote control system.

5. MAINTENANCE BY LESSOR. Lessor shall, at its expense, maintain the locomotives in good running condition. Lessor shall supply all replacement parts, lubricants and filters, and shall perform all major maintenance repairs, and periodic inspections, lubrications, and filter changes. For purposes of this Lease, a major maintenance repair is a repair that requires more than two man hours of work to complete. Lessor will respond to reported service difficulties within 24 hours of notification by Lessee.

6. INSPECTION/MAINTENANCE BY LESSEE. The Lessee will supply the locomotive with fuel, water/anti-freeze and sand, in accordance with Lessor's specifications as may be needed. The Lessee will perform minor repairs (i.e. repairs requiring two man hours or less per occasion), daily inspections (per Lessor's "Daily Inspection Form #223" - schedule A), such routine maintenance as addition of lubricating oils and adjustment of brake piston travel, when needed, and will protect the locomotive cooling water from freezing. Lessor will respond to reported service difficulties within 24 hours of notification by Lessee.

7. LESSEE'S RESPONSIBILITY FOR DAMAGE TO LOCOMOTIVES. The Lessee shall be responsible for all physical damage to the locomotives from any cause, other than normal wear, while the locomotives are in the possession of Lessee. This shall include, but not necessarily be limited to damages resulting from collisions, accidents, derailments, vandalism and from the negligence on the part of the Lessee or Lessee's employees, agents or subcontractors or from the acts or omissions of the Lessee or its employees, agents or subcontractors. Lessee's liability for damage to the locomotives shall not exceed the sum of $150,000.00 per locomotive, per occurrence.

8. NOTICE OF DEFECTS. Lessee shall notify Lessor promptly of any defects requiring repairs as observed by the Lessee. Lessee will permit Lessor's employees or agents on Lessee's property for the purpose of making inspections of or repairs to the locomotives provided said agents give advance notice of arrival and comply with Lessee's safety standards while on Lessee's property.

9. OPERATION BY QUALIFIED PERSONNEL. Lessee is solely responsible for the safe operation of the locomotives and for insuring that all personnel involved in any way with the locomotives, including but not limited to those involved in the operation and maintenance of the locomotives are fully qualified and properly supervised.

~~10. OPERATION ONLY IN SAFE LOCATION. Lessee is solely responsible for determining where and when the locomotives shall be operated. Lessee acknowledges and fully understands that there is severe danger of fire or explosion if the locomotives are operated in any area or building in which a spark or flame could cause an explosion or fire, and Lessee assumes all risk of loss due to explosion or fire in any way resulting from or connected with the operation of the locomotives while in Lessee's possession except for explosion or fire caused by Lessor's negligence.~~

11A. LESSEE'S DEFAULT. Time is of the essence of this agreement. Lessor, at its option, may by written notice to Lessee declare this lease in default on the happening of any of the following:

(a) Default by Lessee in payment or performance of any of its obligations under this lease. In the case of late payment by Lessee or failure to perform its obligations hereunder, Lessor shall notify Lessee in writing of such late payment or failure to perform, and Lessee shall have a period of seven days from such notification to cure the default or failure before Lessor may exercise it's option.

(b) Voluntary assignment of Lessee's interest herein. without Lessor's consent.

(c) Involuntary transfer of Lessee's interest herein.

(d) Expiration or cancellation of any policy of insurance agreed to be paid for by Lessee, or the cessation in force ~~according to its original terms~~ of such insurance, or of any extension or renewal of such insurance, during the entire term of this lease.

On declaration by Lessor that the lease is in default, the locomotives then subject to this lease shall be surrendered and delivered to Lessor, and Lessor may take possession of the locomotives wherever they may be found, with or without process of law, and for that purpose may enter on the premises of Lessee. On default, Lessee and Lessee's successor in interest, whether by operation of law or otherwise, shall have no right, title or interest in the locomotive leases under this lease, or the possession or use of such vehicles, and lessor shall retain all rents and other sums paid by Lessee under this lease with respect to all such locomotives and shall be entitled to such other remedies as may be provided by law.

11B. LESSOR'S DEFAULT. Time is of the essence of this agreement. Lessee, at its option, may by written notice to Lessor declare this lease in default on the happening of any of the following:

(a) Default by Lessor in performance of any of its obligations under this lease.

(b) Involuntary transfer of Lessor's interest herein.

12. RISK OF LOSS AND INSURANCE.

(a) All risk of loss or damage to the locomotives shall be borne by the Lessee as described in paragraph #7 and Lessee shall deliver to Lessor a certificate of insurance or a letter of self insurance covering the damage or destruction of the locomotives, which is the subject of this lease, not to exceed $150,000.00 per locomotive, per occurrence when requested to provide such evidence of insurance in writing by Lessor.

(b) Prior to the date on which Lessee takes delivery of the locomotives, Lessee shall cause Lessor to be named as a primary additional insured on a broad form policy of comprehensive general liability insurance, issued by a company rated "A" or better by Best's Insurance Services, and otherwise reasonably acceptable to Lessor, and shall deliver to Lessor a certificate of insurance, and endorsement to the underlying policy or policies, evidencing compliance with this requirement. ~~Said certificate and endorsement shall provide that the policy of insurance represented thereby shall not be canceled or altered without thirty (30) days notice to Lessor, and shall evidence an insurance of not less than $2 million for injury or death to one person; of not less than $5 million for injury or death to two or more persons as a result of any one accident or incident; and for damage or destruction to the locomotives, which is the subject matter of this lease, as stipulated in paragraph~~ 7. Lessee shall maintain such insurance during the entire term of this lease, and if such insurance is a "claims made" policy, for a period of two years following the termination of the lease, as to matters occurring during the term of the lease.

Lessee shall maintain such insurance during the entire term of this lease, and for a period of two years following the termination of the lease, as to matters occurring during the term of the lease.

13. TAXES. The Lessee shall pay all sales taxes, use taxes, and personal property taxes, and shall file all returns required therefore and furnish copies thereof to the Lessor. Upon demand, the Lessee shall reimburse the Lessor for any such taxes, or penalties, which the Lessor may be compelled to pay in connection with the equipment. The Lessor will cooperate with the Lessee and furnish the Lessee with any information available to the Lessor in connection with the Lessee's obligations under this paragraph.

14. LESSOR'S INDEMNITY.

(a) The Lessee shall indemnify, protect and hold harmless the Lessor, its agents, servants, successors and assign from and against all losses, damages, injuries, claims, demands, and expenses, including legal expenses, of whatever nature, arising out of, incident to, connected with or in any way caused by the possession, control, use or operation of the locomotives by the Lessee, its employees, agents, servants, or subcontractors, or operation of the locomotives,

regardless of where, how, and by whom operated, except for any damage or loss resulting from the negligence of Lessor.

(b) The Lessee shall assume the settlement of, and the defense of any suit or other legal proceedings brought to enforce all such losses, damages, injuries, claims, demands and expenses, and shall pay all judgments entered in any such suit or suits or other legal proceedings.

(c) The indemnities and assumptions of liabilities and obligation herein provided for shall continue in full force and effect not withstanding the termination to the Lease Agreement, whether by expiration of time, by operation of law or otherwise.

(d) The Lessee is an independent contractor and nothing contained in this Lease Agreement shall authorize the Lessee or any other person to operate any item of equipment so as to incur or impose any liability or obligation for or on behalf of the Lessor.

15. FREIGHT. Lessee shall pay all inbound freight charges, incurred in delivery of the locomotives to the Lessee's siding. Lessor will pay the outbound freight charges when the locomotives are shipped outbound. If for any reason this Lease Agreement is terminated before it has been in effect for five years, and Lessor is not in default, the Lessee shall reimburse the Lessor an amount equal to the actual outbound freight charges to Minooka, Illinois.

16. POSSESSION. Possession of the locomotive shall pass to Lessee as of the moment the locomotives arrive on Lessee's railroad siding track. Possession of the locomotives shall be reacquired by Lessor when the locomotives leave the Lessee's siding under the control of Lessor or its agents or employees after the termination of this Lease for whatever reason.

17. TITLE TO LOCOMOTIVES. Title to the locomotives which is the subject matter of this lease shall be and remain in Lessor at all times during the term of this Lease. Lessee shall not remove or permit to be removed any serial number, model, name or other indicia showing ownership of the locomotives in Lessor.

18. INVALID PROVISION. Any provision of this Lease Agreement found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the rest of this Lease Agreement.

19. CONSTRUCTION. The validity, construction, and enforcement of this Lease Agreement shall be governed by the laws of the state of Illinois.

20. CONSENT TO JURISDICTION. By execution of this Lease, Lessor and Lessee hereby submit to the jurisdiction of the courts of the state of Illinois.

21. COMPLETE AGREEMENT. This Lease Agreement contains the entire understanding of the parties, and such understanding may not be modified or terminated except in writing signed by the parties.

22. NOTICES. All notices shall be in writing and delivered in person to an officer of the party to which such notice is being given or mailed by registered mail to such party at the address first above written, or to such other address as may be hereafter specified by like notice by either party to the other.

23. BINDING EFFECT. This lease shall be binding upon and inure to the benefit of the parties hereto, their successors, legal representatives, and assigns.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused these presents to be duly executed the day and year first above written.

LESSOR:
RELCO LOCOMOTIVES, INC.
113 Industrial Ave.
Minooka, IL 60447

ATTEST: _____ BY: _____, President

LESSEE:
North Star BHP Steel Ltd
6767 County Road 9
Delta, Ohio 43515

ATTEST: _____ BY: _____, President

EXHIBIT A

LOCOMOTIVE MONTHLY LEASE RATE

Two E.M.D., 1000 horsepower, 125 ton locomotives
with Cattron 864 Remote Controls

RE 897, 898

Combined Monthly Rate Structure*

Base Rate: $ 4,894.00
Fixed Maintenance Rate: $3,200.00

*This price includes a total monthly usage of 730 hours for both locomotives. Hours that exceed 730 will be charged at the following rate structure:

First	1 - 50 hours @	$17.00 per hour
Next	51 - 100 hours @	$13.00 per hour
Next	101 - 200 hours @	$ 5.75 per hour
Next	201 - 744 hours @	$ 4.00 per hour

CERTIFICATE OF AUTHENTICATION

THE UNDERSIGNED HEREBY CERTIFIES that the copy of the Locomotive Lease Agreement is a true and correct copy of those which have been delivered to Charter Financial, Inc. by Relco Locomotives, Inc. in connection with Locomotive Lease Agreement by and between Relco Locomotives, Inc., an Illinois corporation, as Lessor and North Star BHP L.L.C., dba North Star BHP Steel Ltd, a Delaware limited liability.

Dated this 10th day of June 1997

CHARTER FINANCIAL, INC.

Debra Newman

Debra Newman
Assistant Vice President

STATE OF NEW YORK, COUNTY OF NEW YORK ss:

On the 10th day of June, 1997 before me personally came Debra Newman to me known, who, being by me duly sworn, did depose and say that she is the Assistant Vice President of Charter Financial, Inc., the corporation described in and which executed the foregoing instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that she signed her name thereto by like order.

Notary Public

HENRY FROMMER
Notary Public, State of New York
No. 02FR5039738
Qualified in New York County
Commission Expires Feb. 21, 1997