

ALVORD AND ALVORD  
ATTORNEYS AT LAW  
918 SIXTEENTH STREET, N W  
SUITE 200  
WASHINGTON, D C  
20006-2973  
(202) 393-2266  
FAX (202) 393-2156

ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

OF COUNSEL  
URBAN A. LESTER

RECORDATION NO. 20385 FILED 11/29/96  
DEC 11 1996 2:05 PM

RECORDATION NO. 20395 - A, B FILED 11/29/96  
DEC 11 1996 2:05 PM

December 11, 1996

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 (2) copies each of the following documents: a Master Lease Agreement No. 136, dated as of November 21, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents; Lease Schedule No. 001, also dated November 21, 1996; and an Asset Purchase, Assignment and Assumption Agreement, dated as of December 9, 1996.

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

Master Lease Agreement No. 136  
and  
Lease Schedule No. 001

Lessor: The Vaughn Group, Ltd  
8250 Beckett Park Drive, Suite C  
Hamilton, Ohio 45011

Lessees: Atlas Iron Processors, Inc.  
M.A D Inc  
8550 Aetna Road  
Cleveland, Ohio 44105

DEC 11 2 01 PM '96

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Counterspart - Edward M. Linn

Mr. Vernon A Williams  
December 11, 1996  
Page 2

Asset Purchase, Assignment and Assumption Agreement

Assignor     The Vaughn Group, Ltd  
                  8250 Beckett Park Drive, Suite C  
                  Hamilton, Ohio 45011

Assignee     First National Bank of Ohio  
                  106 S Main Street  
                  Akron, Ohio 44308

A description of the railroad equipment covered by the enclosed documents is:

eighteen (18) gondola cars AIPX 101 - AIPX 119 (excluding AIPX 115)  
twenty-two (22) gondola cars AIPX 201 - AIPX 222

Also enclosed is a check in the amount of \$66 00 payable to the order of the  
Surface Transportation Board covering the required recordation fee

Kindly return stamped copies of the enclosed documents to the undersigned.

Very truly yours,



Robert W Alvord

RWA/bg  
Enclosures

Master Lease Agreement No 136

This Master Lease Agreement is made the 21st day of November, 1996 between The Vaughn Group, Ltd., 8250 Beckett Park Drive, Suite C, Hamilton, OH 45011 (the "Lessor"), and Atlas Iron Processors, Inc. and M.A.D., Inc., jointly and severally, each with their principal office at 8550 Aetna Road, Cleveland, Ohio 44105 (the "Co-Lessees")

The parties hereto, desiring legally to be bound, hereby agree as follows

**1. LEASE:**

Lessor agrees to lease to Co-Lessees, and Co-Lessees agree to lease from Lessor, the Equipment described in one or more Lease Schedules between the parties incorporating this Lease by reference. Any reference to "Lease" shall mean this Master Lease Agreement, the Lease Schedule(s) and all Rider(s), Addenda, Amendment(s), or Supplement(s) hereto and thereto, if any. Each Lease Schedule shall constitute a separate and distinct lease on the terms herein and therein set forth

**2. DEFINITIONS:**

(a) The "Equipment" means collectively all the equipment and individually an "Item of Equipment", as described in the applicable Lease Schedule, together with all manuals, cables and associated equipment included and delivered therewith and associated software systems and programming

(b) The "Installation Date" means, except as otherwise provided herein, the date of installation or acceptance determined in accordance with the Lease Schedule

(c) The "Base Term Commencement Date" means, as to all Equipment designated on any Lease Schedule, where the Installation Date for any Item of Equipment last to be installed or accepted falls on the first day of the month, that date, or, in any other case, the first day of the month following the month in which the any Item of Equipment last to be installed is installed or accepted

(d) The "Daily Rental" means 1/30th of the amount set forth as the monthly rental for each Item of Equipment in the applicable Lease Schedule.

**3. TERM OF LEASE**

The term of this Lease as to each Item of Equipment shall commence on the Installation Date for such Item of Equipment, and shall continue for a base period (the "Base Term") ending that number of months from the Base Term Commencement Date as is specified on the applicable Lease Schedule. The term of this Lease for all such Equipment shall be automatically extended for successive three month periods until terminated by either party giving to the other not less than six months, and no more than twelve months prior written notice of termination. Any such termination shall be effective only on the last day of the Base Term or the last day of any such extended period. Rental for any holdover by Co-Lessees beyond such termination shall be at a daily rate equal to

150% of the Daily Rental, if such holdover continues for a period less than five days or at 150% of the Monthly Rental if such holdover continues for more than five days. With respect to each Lease Schedule executed pursuant to this Master Lease Agreement, Co-Lessees agree to execute and deliver to Lessor, on or about the Installation Date, a Certificate of Delivery and Acceptance, incumbency certificate and opinion of counsel, each in such form acceptable to Lessor in its discretion.

#### **4. PAYMENTS:**

The monthly rental for each Item of Equipment payable hereunder is as set forth in the applicable Lease Schedule. Rental on each Item of Equipment shall begin to accrue on the Installation Date of such Item of Equipment and shall be due and payable in U.S. dollars in immediately available funds by Co-Lessees in advance on the first day of each month. If the Installation Date does not fall on the first day of the month, the rental for that period of time from the Installation Date until the Base Term Commencement Date shall be an amount equal to the Daily Rental multiplied by the number of days from (and including) the Installation Date to (but not including) the Base Term Commencement Date and shall be due and payable on the Installation Date. Progress and deposit payments to vendors and reimbursement of payments already paid by Co-Lessees shall be made by Lessor upon receipt of Co-Lessees' instruction to do so in form and substance acceptable to Lessor, together with purchase, payment and purchase assignment documentation requested by Lessor. The date on which a progress or deposit payment or reimbursement is made by Lessor shall be considered the Installation Date with respect to the portion of the entire cost of the Equipment for any Lease Schedule such payment represents, provided that the Base Term Commencement Date shall always follow the funding by Lessor of the entire such Lease Schedule. In addition to the monthly rental set forth in the Lease Schedule, Co-Lessees shall pay to Lessor, when due, amounts equal to, and hold Lessor harmless from, all taxes, levies, imposts, duties, fees, assessments, and other charges or withholdings of any nature whatsoever, however designated (including, without limitation, franchise, sales, use, stamp, privilege or excise taxes), together with any penalties, fines or interest thereon, imposed against Lessor (or which Lessor is required to collect) by any federal, state or local government or taxing authority and which are levied or based on or relate to the rental, the Lease or the Equipment or its use, possession, lease, ownership, financing, operation, control or value, but excluding federal, state or local taxes or fees on, or measured by, the net income of Lessor. Personal property taxes assessed on the Equipment during the term of this Lease shall be paid by Co-Lessees to Lessor or (upon notice and at Lessor's option) directly to the appropriate taxing authority. Lessor may charge Co-Lessees a reasonable administrative fee in connection with Lessor's completion of the return, or payment of, and billing Co-Lessees for, personal property taxes. Interest on any past due payments under this Lease shall accrue at the rate of 1 1/2% per month (but in no event less than \$50.00 per occurrence), or if such rate shall exceed the maximum rate allowed by law, then at such maximum rate, and shall be payable on demand. Charges for taxes, levies, imposts, duties, fees, assessments or other charges, penalties and interest payable by Co-Lessees hereunder shall be promptly paid by Co-Lessees when due.

#### **5. INSTALLATION, USE, MAINTENANCE, RETURN AND QUIET POSSESSION:**

(a) Co-Lessees, at their own expense, will provide the required electric current to operate the Equipment and appropriate facilities to house and care for the Equipment as specified by the manufacturer.

(b) Any equipment, cards, disks, tapes or other items not specified in the Lease Schedule which are used on or in connection with the Equipment must meet the specifications of the manufacturer and shall be acquired by Co-Lessees at their own expense

(c) Co-Lessees will at all times keep the Equipment in their sole possession and control. The Equipment shall not be moved from the locations stated in the Lease Schedule without the prior written consent of Lessor (said consent not to be unreasonably withheld provided that (i) such location is within the Continental United States in a state which has adopted the Uniform Commercial Code, and (ii) Co-Lessees shall timely execute, and shall reimburse Lessor for their expense in preparing and filing, any Uniform Commercial Code Financing Statements or other instruments which Lessor requests to reflect such relocation)

(d) After prior notice to Lessor, Co-Lessees may, at their own expense, make alterations in or add attachments to the Equipment, provided such alterations or attachments are readily removable and do not reduce the value of the Equipment or interfere with the normal and satisfactory operation or maintenance of the Equipment or with Co-Lessees' ability to obtain and maintain the maintenance contract required by Section 5(g) hereof. The manufacturer or other organization selected by Co-Lessees and approved in writing by Lessor to maintain the Equipment ("Maintenance Organization") may incorporate engineering changes or make temporary alterations to the Equipment upon request of Co-Lessees. All such alterations and attachments shall be and become the property of Lessor at the expiration or termination of the Lease, or, at the option of Co-Lessees, shall be removed (prior to the expiration or termination of the Lease) and retained by Co-Lessees provided the Equipment is restored, at Co-Lessees' expense, to its original condition, reasonable wear and tear only excepted.

(e) So long as Co-Lessees are not in default hereunder, neither Lessor nor any of its assignees hereof shall interfere with Co-Lessees' use or possession of the Equipment during the term of this Lease.

(f) Co-Lessees, during the term of this Lease and at their expense, shall keep the Equipment in good working order and condition and make all necessary adjustments, repairs and replacements. Co-Lessees shall not use or permit the Equipment to be used in any manner or for any purpose for which, in the opinion of the manufacturer, the Equipment is not designed or reasonably suitable, and Co-Lessees shall use and operate the Equipment in conformity with the manufacturer's specifications. Co-Lessees shall comply with all governmental laws, rules and regulations in the use, maintenance, storage and operation of the Equipment. In case any additional or other equipment, appliance or alteration is required to be made or installed on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, Co-Lessees agree to make or install such equipment, appliance or alteration at their own cost and expense.

(g) Co-Lessees shall, during the term of this Lease and at their own expense, enter into and maintain in force a contract with a Maintenance Organization covering at least prime shift maintenance of each Item of Equipment. Such contract shall commence upon expiration of the manufacturer's warranty period, if any, relating to such Item. Co-Lessees shall furnish Lessor, from time to time upon Lessor's request, a copy of such contract(s).

(h) At the termination of this Lease, Co-Lessees shall, at their expense, return the Equipment to Lessor (at the location designated by Lessor within the Continental United States) in the same

operating order, repair, condition and appearance as on the Installation Date, reasonable wear and tear only excepted, with all engineering and safety changes prescribed by the manufacturer incorporated herein, provided that, notwithstanding reasonable wear and tear, the Equipment shall be operable in conformity with the manufacturer's original specifications and have a good general appearance free from any obvious damage. At such termination, Co-Lessees shall obtain a certification from the manufacturer that the Equipment is eligible and acceptable for (and Co-Lessees shall arrange and pay for any repairs and changes as are necessary for the manufacturer to accept the Equipment under) contract maintenance at its then standard rates.

## 6. OWNERSHIP AND INSPECTION:

(a) Co-Lessees shall have no interest in the Equipment other than the rights acquired as a lessee hereunder. The Equipment is and shall always remain separate identifiable personalty. Co-Lessees shall not permit any Item of Equipment to be installed in, or used, stored or maintained with, any real property in such a manner or under such circumstances that any person might acquire any rights in such Item of Equipment paramount to the rights of Lessor by reason of such Item of Equipment being deemed to be real property or a fixture thereon. Co-Lessees shall, promptly upon request of Lessor, obtain a written acknowledgment from the owner and/or mortgagee(s) of the real property in which such Item of Equipment is located that such owner and/or mortgagee(s) will not at any time assert any interest in such Item of Equipment or that such Item of Equipment constitutes part of such real property. Co-Lessees shall, at Lessor's request, affix to the Equipment in a prominent place or places, tags, decals, or plates furnished by Lessor evidencing Lessor's ownership and Co-Lessees shall not permit their removal or concealment.

(b) Co-Lessees shall keep the Equipment free and clear of all liens and encumbrances except liens or encumbrances arising through Lessor. **CO-LESSEES SHALL NOT ASSIGN OR OTHERWISE ENCUMBER THIS LEASE OR ANY OF THEIR RIGHTS HEREUNDER OR SUBLEASE THE EQUIPMENT WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR.** Co-Lessees agree that, except as expressly authorized by Lessor, any assignment or sublease by Co-Lessees shall materially impair the prospects of Co-Lessees' performance hereunder, and materially change the duty of, and materially increase the burden or risk imposed on, Lessor, and shall constitute the delegation by Co-Lessees of their material obligations hereunder, notwithstanding any continued liability of Co-Lessees therefor. No assignment or sublease (whether or not permitted hereby) shall relieve Co-Lessees of any of their obligations hereunder and any permitted sublease shall be expressly subordinate to the terms hereof. For purposes of this Master Lease Agreement, the parties agree that the sale of all or substantially all of the assets of either of the Co-Lessees or of more than 50% of the voting stock of either of the Co-Lessees (whether in one transaction or several related transactions) or, in the case of a partnership, any change in the constitution of the partnership, shall be deemed an assignment for which Lessor's prior consent shall be required.

(c) Lessor or its agents shall have free access to the Equipment at all reasonable times for the purpose of inspection and for any other purpose contemplated in this Lease.

## 7. WARRANTIES:

(a) Co-Lessees represent, covenant and agree that, at the Installation Date, they shall have (1) thoroughly inspected the Equipment, (11) determined for themselves that all Items of Equipment are in

good condition, working order and repair and are of a size, design, capacity and manufacture selected by them and (iii) satisfied themselves that the Equipment is suitable for Co-Lessees' purposes. **LESSOR LEASES THE EQUIPMENT AS IS AND MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN, CONDITION, QUALITY, CAPACITY, MATERIAL OR WORKMANSHIP OR AS TO PATENT INFRINGEMENT OR THE LIKE**, it being agreed that all such risks, as between Lessor and Co-Lessees, are to be borne by Co-Lessees. Co-Lessees agree to look solely to the manufacturer or to suppliers of the Equipment for any and all warranty claims and any and all assignable warranties made by the manufacturer or the supplier to Lessor are hereby assigned to Co-Lessees for the term of the applicable Lease Schedule. Co-Lessees hereby assume the sole responsibility for, and agree that Lessor shall not be responsible for, the delivery, installation, maintenance, operation or service of this Equipment or for the delay or inadequacy of any or all of the foregoing. Lessor shall not be responsible for any indirect, special or consequential loss or damage resulting from any cause whatsoever, whether arising as a result of tort, breach of contract or otherwise.

(b) Co-Lessees agree that the statements and financial reports submitted by them to Lessor are material inducements to the execution by Lessor of this Lease, and Co-Lessees warrant that such statements and reports are, and all such information hereafter furnished by Co-Lessees to Lessor will be, complete, true and correct in all material respects as of the date submitted.

## **8. RISK OF LOSS:**

(a) From the date of delivery of the Equipment to Co-Lessees until the Equipment is returned to Lessor as provided in this Lease, Co-Lessees shall bear all risks of physical damage to or loss or destruction of the Equipment, howsoever caused. During the term of this Lease as to any Lease Schedule, Co-Lessees, at their own expense, shall keep in effect all risk and public liability insurance policies covering the Equipment designated in each Lease Schedule in such amounts as are reasonably acceptable to Lessor. The all risk insurance policy shall insure against all risks of loss or damage from every cause whatsoever and shall be for an amount not less than the replacement cost of the Equipment or such other amount set forth in the Lease Schedule. Lessor, its successors and assigns shall be named as additional insureds and loss payees on such policies, which shall be written by an insurance company of recognized responsibility which is reasonably acceptable to Lessor. Evidence of such insurance coverage shall be furnished to Lessor no later than the Installation Date and from time to time thereafter as Lessor may demand. Such policies shall provide that no less than thirty days written notice shall be given Lessor prior to material modification or cancellation of such policies for any reason. Co-Lessees hereby irrevocably appoint Lessor as Co-Lessees' attorney-in-fact coupled with an interest for the sole purposes of making claim for, receiving payment of, and executing any and all documents that may be required to be provided to the insurance carrier in substantiation of any claim for loss or damage to the Equipment or related to the Lease under said insurance policies, and endorsing Co-Lessees' name to any and all drafts or checks in payment of such applicable loss proceeds.

(b) If any Item of Equipment is rendered unusable as a result of any physical damage to, or loss or destruction of, the Equipment, or title thereto shall be taken by any governmental authority under the power of eminent domain or otherwise, Co-Lessees shall give to Lessor immediate notice thereof and this Lease shall continue in full force and effect without any abatement of rental. Co-Lessees shall determine, within fifteen (15) days after the date of occurrence of any such damage or

destruction, whether such Item of Equipment can be repaired. In the event Co-Lessees determine that any Item of Equipment cannot be repaired or such Equipment was lost, destroyed or title thereto taken, Co-Lessees, at their expense, shall promptly (but in no event more than 60 days) replace such Item of Equipment with identical equipment of at least equal value and convey title to such replacement equipment to Lessor free and clear of all liens, claims, equities and encumbrances of every kind or nature whatsoever, and this Lease shall continue in full force and effect with respect to the replacement Equipment as though, subject to the provision of Section 12 hereof, such damage, loss, destruction or taking of title had not occurred. In the event Co-Lessees determine that such Item of Equipment can be repaired, Co-Lessees shall cause such Item of Equipment to be promptly (But in no event more than 60 days) repaired. All proceeds of insurance received by Lessor or Co-Lessees under the policy referred to in the preceding paragraph of this Section shall be applied toward the cost of such repair or replacement or upon repair or replacement of such Item of Equipment, to the Co-Lessees.

(c) Co-Lessees shall immediately notify Lessor of all details concerning any damage to, or loss of, the Equipment arising out of any event or occurrence whatsoever.

## **9. EVENTS OF DEFAULT AND REMEDIES:**

The occurrence of any one of the following shall constitute an Event of Default hereunder.

(a) Co-Lessees fail to pay or Lessor fails to receive any installment of rent on or before the tenth day following the date on which Lessor provides Lessee notice that such installment of rent is past due,

(b) Co-Lessees attempt to remove, sell, assign, transfer, encumber, sublet or part with possession of the Equipment or any items thereof, except as expressly permitted herein,

(c) Any guarantor of any of Co-Lessees' obligations under any Lease Schedule defaults in the performance of any covenant or obligation in favor of Lessor,

(d) Co-Lessees shall fail to observe or perform any of the other obligations required to be observed or performed by Co-Lessees hereunder and such failure shall continue uncured for ten (10) days after written notice thereof to Co-Lessees by Lessor,

(e) Any representation or warranty made by Co-Lessees herein or in any document or certificate furnished in connection herewith shall prove incorrect in any material respect;

(f) Co-Lessees cease doing business as a going concern, make an assignment for the benefit of creditors, admit in writing their inability to pay their debts as they become due, file a voluntary petition in bankruptcy, are adjudicated a bankrupt or an insolvent, file a petition seeking for themselves any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or file an answer admitting the material allegations of a petition filed against it in any such proceeding, consent to or acquiesces in the appointment of a trustee, receiver, or liquidator of them or of all or any substantial part of their assets or properties, or if they or their shareholders take any action looking to their dissolution or liquidation, or

(g) Within 30 days after the commencement of any proceeding against Co-Lessees seeking reorganization, arrangement, readjustments, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within 30 days after the appointment, without Co-Lessees' consent or acquiescence, of any trustee, receiver or liquidator of it or of all or any substantial part of their assets and properties, such appointment shall not be vacated

Upon the occurrence of an Event of Default, Lessor may at its option do any or all of the following: (i) by notice to Co-Lessees terminate this Lease as to the applicable Lease Schedule (ii) whether or not this Lease is terminated as to any Lease Schedule, take possession of any or all of the Equipment listed on the applicable Lease Schedule, wherever situated, and for such purpose, enter upon any premises without liability for so doing or Lessor may cause Co-Lessees, and Co-Lessees hereby agree, to return the Equipment to Lessor as provided in this Lease, (iii) recover from Co-Lessees, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the present value of all monies to be paid by Co-Lessees during the remainder of the Base Term or any successive period then in effect, discounted at the rate of five percent (5%) per annum, which payment shall become immediately due and payable, or (iv) sell, dispose of, hold, use or lease any Equipment as Lessor in its sole discretion may determine without, except as provided below, any duty to account to Co-Lessees (and Lessor shall not be obligated to give preference to the sale, lease or other disposition of the Equipment over the sale, lease or other disposition of similar equipment owned or leased by Lessor) In any event, Co-Lessees shall, without further demand, pay to Lessor an amount equal to all sums due and payable for all periods up to and including the date on which Lessor has declared this Lease to be in default In the event that Co-Lessees shall have paid to Lessor the liquidated damages referred to in clause (iii) above, Lessor hereby agrees to pay to Co-Lessees, promptly after receipt thereof, all rentals or proceeds received from any reletting of the Equipment to the extent such rentals or proceeds are attributable to the balance of the Base Term (after deduction of all expenses incurred by Lessor and a reasonable sales commission to Lessor), said amount never to exceed the amount of the liquidated damages paid by Co-Lessees. Co-Lessees agree that Lessor shall have no obligation to sell or lease the Equipment and shall not be required to give preference to the sale, lease or other disposition of the Equipment over the sale, lease or other disposition of similar equipment owned or leased by Lessor Co-Lessees shall in any event remain fully liable for reasonable damages as provided by law and for all costs and expenses incurred by Lessor on account of such default including, but not limited to, all court costs and reasonable attorney's fees Co-Lessees further agree that, in any event, it will be liable for any deficiency after any sale, lease or other disposition by Lessor The rights afforded Lessor hereunder shall not be deemed to be exclusive, but shall be in addition to any rights or remedies provided by law

#### **10. NET LEASE:**

Except as otherwise specifically provided in this Lease, it is understood that this is a net lease, and that, as between Lessor and Co-Lessees, Co-Lessees shall be responsible for all costs and expenses of every nature whatsoever arising out of or in connection with or related to this Lease or the Equipment (including, but not limited to, transportation in and out, transportation insurance, rigging, drayage, packing, installation and disconnect charges as well as reasonable UCC and other record search fees and related expenses incurred by Lessor with respect to Co-Lessees in Lessor's sole discretion) Co-Lessees hereby agree that in the event that Co-Lessees fail to perform any obligation under this Lease, Lessor may at its option, pay or perform said obligation and any payment

made or expense incurred by Lessor in connection therewith shall become additional rent which shall be due and payable by Co-Lessees upon demand

#### **11. ASSIGNMENT:**

Co-Lessees agree that Lessor may transfer or assign all or any part of Lessor's right, title and interest in, under or to the Equipment and this Lease and any or all sums due or to become due pursuant to any of the above, to any third party (the "Assignee") for any reason. Co-Lessees agree that upon receipt of written notice from Lessor of such assignment, Co-Lessees shall perform all of their obligations hereunder for the benefit of Assignee and, if so directed, shall pay all sums due or to become due hereunder directly to the Assignee or to any other party designated by the Assignee. Co-Lessees hereby covenant, represent, warrant and agree that the Assignee shall be entitled to rely on and shall be considered a third party beneficiary of the following covenants, representations and warranties: (i) Co-Lessees' obligations to Assignee hereunder are absolute and unconditional and are not subject to any abatement, reduction, recoupment, defense, offset or counterclaim available to Co-Lessees for any reason whatsoever including, without limitation, operation of law, defect in the Equipment, the condition, design, operation or fitness for use thereof or any loss, taking, destruction or interference with the use of the Equipment or any part thereof, Lessor's default or failure to perform any of its obligations hereunder or for any other cause or reason whatsoever, whether similar or dissimilar to the foregoing (Co-Lessees reserving any of their rights to have separate recourse directly against Lessor on account of any thereof); nor, except as otherwise expressly provided herein, shall this Agreement terminate, or the respective obligations of Lessor or Co-Lessees be otherwise affected, by reason of any of the foregoing or for any other cause whether similar or dissimilar to the foregoing, it being the intention of the parties hereto that the monthly rental, additional rental, and all other sums payable by Co-Lessees hereunder shall continue to be payable in all events and at the times herein provided, (ii) Co-Lessees shall not look to Assignee to perform any of Lessor's obligations hereunder, (iii) Co-Lessees will not amend or modify this Agreement without prior written consent of the Assignee; and (iv) Co-Lessees will send a copy to Assignee of each notice which Co-Lessees send to Lessor. Upon receipt of notice of such assignment, Co-Lessees agree to execute and deliver to Lessor such documentation as Assignee may require, including, but not limited to, (i) an acknowledgment of, or consent to, assignment which may require Co-Lessees to make certain representations or reaffirmations as to some of the basic terms and covenants contained in this Lease or as to the current status of the Lease and the Equipment, (ii) a certified copy of resolutions of Co-Lessees authorizing Co-Lessees to enter into the Lease, (iii) an opinion of counsel for Co-Lessees as to customary matters, and (iv) a Certificate of Delivery and Acceptance. Nothing contained in such documentation required by Assignee shall be in derogation of any rights granted to Co-Lessees hereunder. Notwithstanding such assignment, (i) Lessor shall not be relieved of any of its obligations hereunder, and (ii) the rights of Co-Lessees hereunder, including their rights under Section 5(e) hereof, shall not be impaired.

#### **12. TAX INDEMNITY:**

Co-Lessees represent and warrant for the benefit of Lessor, and will provide supporting documents reasonably satisfactory to Lessor to the effect that (i) at the time Lessor becomes the owner of the Equipment, and at all times during the term of the Lease, the Lessor shall be entitled to take the maximum deductions for depreciation allowable pursuant to Section 167(a) of the Internal Revenue Code of 1986 (the "Code"), (ii) the deductions for depreciation of the Equipment shall be

determined as provided in Section 168(a) of the Code, and (iii) the applicable "recovery period" for the Equipment as provided in Section 168(c) of the Code shall be as provided in the Lease Schedule

(a) This Lease has been entered into and the Equipment has been acquired by the Lessor and/or any persons, firms, corporations or other entities to which Lessor transfers or has transferred title to all or any portion of the Equipment on the assumption that the Lessor will be treated as the owner of the Equipment for Federal, state, and local income tax purposes, and as to all Equipment subject to the Lease, will be entitled to such deductions, credits and other benefits as are provided to an owner of property including without limitation (i) the maximum Depreciation Deductions allowable pursuant to Section 167(a) of the Code ("Depreciation Deduction") determined pursuant to Section 168(a) of the Code, beginning in Lessor's taxable year which includes the date of acceptance by Co-Lessees of the Equipment, which Depreciation Deduction is determined based on the recovery period (as provided in the Lease Schedule), as defined in Section 168(c) of the Code and the applicable depreciation method pursuant to Section 168 (b) of the Code, which Depreciation Deduction shall be for Lessor's entire cost of the Equipment; and (ii) deductions pursuant to Section 163 of the Code with respect to interest payable on Lessor's borrowing in connection with the Equipment (the "Interest Deduction")

(b) If, as the result of: (i) the inaccuracy of any of the representations or warranties set forth in the preceding paragraph of this Section 12, (ii) the breach by the Co-Lessees of any of their agreements hereunder, (iii) any act or omission of the Co-Lessees or any affiliate of the Co-Lessees or any sublessee or any user of any Item of Equipment (regardless of whether any such act or omission is permitted or contemplated by the terms of this Lease or otherwise), (iv) the sale or other disposition of any Item of Equipment or any interest therein after the occurrence of an Event of Default thereunder, (v) the presence or exercise of any options granted to Co-Lessees under the Lease, or (vi) any changes, modifications or additions to the Code or the regulations promulgated thereunder which were adopted or enacted into law during the term of the Lease, including changes, modifications or additions currently proposed or pending, and any other laws enacted during the term of the Lease; there shall be disallowance, elimination, reduction, disqualification, recapture or other change in whole or in part of the Depreciation Deduction Schedule, ("Event of Loss"), Co-Lessees shall, upon request by Lessor and subject to the provisions of this Section 12(b) pay to Lessor on each of the dates provided in this Lease for the payment of monthly rental, commencing with the first such date following written notice to the Co-Lessees by the Lessor of such loss, such additional rent as shall be in amounts which shall cause Lessor's after tax economic yield (rate of return) and after tax cash flow (computed on the same assumptions, including without limitation, the tax rates and discount rates utilized by Lessor in originally evaluating the Lease transaction) to equal the economic yield and cash flows that would have been realized by Lessor if such Event of Loss had not occurred (the "Loss") If the date of the Event of Loss with respect to any Item of Equipment occurs following the termination of the Lease with respect to any Equipment, said additional rent shall be payable within thirty (30) days after the date of such Event of Loss

(c) If as a result of any changes, modifications or additions to the Code or the regulations promulgated thereunder which are adopted or enacted into law during the term of the Lease, including changes, modifications or additions to the Code currently proposed or pending, other than as set forth in Section 12(b), there shall be an adverse effect on Lessor's after tax economic yield (rate of return) and after tax cash flow (computed on the same assumptions, including without limitation, the tax rates and discount rates utilized by Lessor in originally evaluating the Lease

transaction). Co-Lessees shall, upon request by Lessor and subject to the provisions of this Section 12(c) pay to Lessor on each of the dates provided in this Lease for the payment of monthly rental, commencing with the first such date following written notice by Lessor, such amounts which after deduction of all taxes required to be paid by Lessor upon the receipt thereof, are sufficient to cause the Lessor's after tax economic yield and after tax cash flow to equal the economic yield and cash flow which would have been realized by Lessor if such changes, modifications or additions to the Code and regulations had not been adopted or enacted

(d) In addition to the amounts payable as provided above, Co-Lessees will also pay any interest, additions to tax and penalties (except additions to tax and penalties caused by the acts, omissions or misrepresentations of Lessor) paid or payable with respect to the Loss or on account of having claimed the deduction giving rise to such Loss. For purposes of this Section 12 the term "Lessor" shall include any Assignee and any affiliated group, within the meaning of Section 1504 of the Code, of which Lessor or Assignee, respectively, is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes

(e) For the purpose of this Section 12, the date of an Event of Loss shall occur upon the date on which is made the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss

(f) Co-Lessees shall not be required to make any payment pursuant to the provisions of this Section 12 in respect of any Loss which results from any one or more of the following causes, (i) the failure of Lessor to have sufficient income to benefit from such Depreciation Deductions or Interest Deductions, (ii) failure of Lessor to claim in a timely and proper manner (including making all appropriate permissible elections under the applicable Regulations) any permissible deductions and treatment of income and deductions in its income tax returns for the appropriate years, (iii) a voluntary transfer by Lessor of legal title to the Equipment or voluntary disposition by Lessor of its interest in the Equipment if such transfer or disposition (I) shall be the direct cause of such Loss and (II) shall occur at any time while none of the Events of Default listed in Section 9 of the Lease has occurred and is continuing unremedied; (iv) any Loss resulting from a settlement, compromise or other disposition by Lessor of a claim by the Internal Revenue Service as to which Lessee, at their sole cost and expense, has obtained an opinion of counsel satisfactory to the Lessor to the effect that the basis in law and in fact in favor of the position of the Internal Revenue Service is outweighed by the basis in law and in fact to the contrary; or (v) application by the Internal Revenue Service of Section 56 (which relates to imposition of a minimum tax). Notwithstanding anything in this Section 12 or the Lease to the contrary, no indemnification shall be required under this Section 12 with respect to any Item of Equipment that has suffered a Total Casualty and as to which the Casualty Value shall have been paid pursuant to the provisions of the Lease

(g) In the event a claim shall be made which, if successful, would result in a Loss, the Lessor hereby agrees to take such action in connection with contesting such claim as the Co-Lessees shall reasonably request in writing from time to time, provided that (i) within 30 days after notice by the Lessor to the Co-Lessees of such claim, the Co-Lessees shall have requested that such claim be contested, (ii) before undertaking, at the Co-Lessees' request, any administrative appeals, proceedings, hearings or conferences with the Internal Revenue Service or any judicial resolution or any other such action in respect of such claim, the Lessor shall have been furnished by the Co-Lessees with an opinion of a law firm mutually acceptable by Lessor and Co-Lessees, to the effect

that there exists a reasonable basis for contesting such claim; (iii) the Co-Lessees shall have indemnified or provided for the indemnification of the Lessor in a manner reasonably satisfactory to the Lessor for all expenses which the Lessor may incur as the result of contesting such claim and hereby agrees to pay or reimburse the Lessor for (in addition to all other indemnifications under this Lease), on demand, all costs and expenses which such person may incur in connection with contesting such claim, including, without limitation, reasonable attorneys' and accountants' fees, expenses and disbursements, (iv) at such time as judicial resolution is available and appropriate, the Lessor shall have the option either to pay the tax claimed and sue for a refund in the appropriate United States Court of Claim or District Court, as such person shall elect, or to contest such claim in the United States Tax Court, (v) once judicial resolution is sought, the Lessor shall, to the extent that clause (iii) of this sentence is satisfied (or unless otherwise directed by the Co-Lessees), in the case of an adverse determination, exhaust such judicial appeals, or in the case of a favorable determination, defend against such appeals, as may be required to obtain an ultimately favorable resolution of the claim, provided that, the Lessor need not appeal any adverse judicial determination unless it shall have been furnished by the Co-Lessees with an opinion of a law firm mutually acceptable by Lessor and Co-Lessees to the effect that there exists a reasonable basis for taking such appeal; and (vi) the Lessor may elect, despite a request by the Co-Lessees pursuant to clause (1) of this sentence that a claim be contested, not to contest such claim or imposition, provided that, if the Lessor so elects despite such a request by the Co-Lessees, the Co-Lessees shall be relieved of all their indemnification obligations in respect of any such Loss resulting from such claim, and the Lessor shall promptly pay to the Co-Lessees an amount which shall be equal to the total of all payments, excluding payments representing reimbursement of Lessor's expenses, previously made by the Co-Lessees in respect of Loss resulting from such claims plus interest thereon at the prime rate as set by Chase Manhattan Bank, New York. In the case of any such claim referred to above, the Lessor agrees promptly to notify the Co-Lessees in writing of such claim and agrees not to make payment of the tax claimed, if such payment has been demanded, for at least 30 days after the giving of such notice and agrees to give to the Co-Lessees any relevant information relating to such claim which may be particularly within the knowledge of such person. Notwithstanding anything in this Lease, including this Section, Lessor shall have the affirmative control of any contest litigation

### **13. INDEMNIFICATION AND WAIVER:**

Co-Lessees hereby agree to assume liability for, and do hereby agree to indemnify, protect, save and keep harmless Lessor and its respective successors, assigns, legal representatives, agents and servants, from and against any and all liabilities, obligations, losses, damages, claims, costs, or expenses (including legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Lessor or any of its respective successors, assigns, legal representatives, agents or servants (whether or not such person is also indemnified by any other person), or in any way relating to or arising out of this Lease or any documents contemplated hereby, or the performance or enforcement of any of the terms hereof, or in any way relating to or arising out of the Equipment or the acceptance, rejection, return, lease, possession, use, condition, operation, ownership or disposition of the Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable) provided, however, that Co-Lessees shall not be required to indemnify Lessor or its respective successors, assigns, legal representatives, agents and servants, for loss or liability in respect of any Item of Equipment arising from acts or events which occur after possession of such Item of Equipment has been returned to Lessor or loss or liability resulting from the active willful misconduct of the party otherwise to be

indemnified hereunder Co-Lessees agree that, in order to induce Lessor to enter into each lease of Equipment hereunder, and recognizing that Lessor is not the manufacturer of the Equipment (i) Lessor shall not be liable to Co-Lessees for any liability, claim, loss, damage or expense of any kind or nature arising directly or indirectly from (and Lessor shall not be in default hereunder as a result of) any inadequacy or deficiency of the Equipment or any defect therein or any delay or failure in providing or delivering the Equipment, and (ii) Co-Lessees hereby waive, to the extent permitted by applicable law, any of Co-Lessees' rights to (a) reject or revoke acceptance of the Equipment; (b) accept partial delivery of the Equipment, and (c) "cover" and substitute for the Equipment.

#### **14. TRUE LEASE - SECURITY INTEREST:**

It is the intention of the parties hereto that the lease of the Equipment pursuant to each Lease Schedule be a true lease. However, in the event (and only in the event) that is finally determined by a court of competent jurisdiction that this Lease does not create a true lease with respect to any Equipment, then the parties agree that, with respect to any such Equipment, Co-Lessees hereby grant to Lessor (effective upon the Installation Date) a purchase money security interest in such Equipment to secure repayment of all amounts due, and the performance of all of Co-Lessees' other obligations hereunder and under such Lease Schedule.

#### **15. MISCELLANEOUS:**

(a) Neither this Lease nor any consent or approval provided for herein shall be binding upon Lessor unless signed on its behalf by a duly authorized officer. This Agreement shall be governed in all respects by the laws of Ohio, without giving effect to principles of choice of law.

(b) This Lease constitutes the entire agreement between Co-Lessees and Lessor with respect to the Equipment, and no covenant, condition or other term or provision may be waived or modified orally. No waiver of any of the terms and conditions hereof shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The waiver by Lessor or Co-Lessees of any breach of any obligation of Co-Lessees or Lessor shall not be deemed a waiver of such obligation or of any subsequent breach of the same or any obligation. The subsequent acceptance of rental payments hereunder by Lessor shall not be deemed a waiver of any prior existing breach by Co-Lessees regardless of Lessor's knowledge of such prior existing breach at the time of acceptance of such rental payments.

(c) All notices hereunder shall be in writing and shall be delivered in person or sent by registered or certified mail, postage prepaid, to the address of the other party as set forth herein or to such other address as such party shall have designated by proper notice.

(d) This Lease shall be binding upon and inure to the benefit of Lessor and Co-Lessees and their respective successors and assigns (including any subsequent assignee of Assignee).

(e) If any term or provision of this Lease or the application thereof to any person is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such provision to the persons other than those to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

(f) Lessor is hereby authorized by Co-Lessees to cause this Lease or other instruments, including Uniform Commercial Code Financing Statements, to be filed or recorded for the purposes of showing Lessor's interest in the Equipment and Co-Lessees agree to execute and deliver all such instruments at the request of Lessor and that Lessor may execute and deliver such instruments for and on behalf of Co-Lessees

(g) In the event that the Installation Date does not occur within forty-five days (45) days of the projected Installation Date (as set forth in the applicable Lease Schedule), then Lessor, at its option, may terminate the applicable Lease Schedule and this Lease (to the extent that it applies to said Lease Schedule) without further obligation to Co-Lessees

(h) In the event of any conflict between the terms and conditions of this Master Lease Agreement and the terms and conditions of any Lease Schedule, the terms and conditions of such Lease Schedule shall prevail.

(i) Each year during the term of this Lease, Co-Lessees hereby agree to deliver to Lessor a copy of Co-Lessees' annual audited financial statements within 120 days of Co-Lessees' fiscal year-end and, within a reasonable period of time, any other financial information Lessor requests from time to time

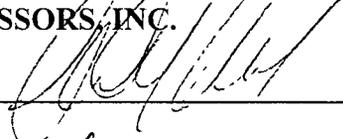
(j) The obligations which Co-Lessees are required to perform during the term of this Lease shall survive the expiration or other termination of this Lease, to the extent that such obligations remain unperformed as of the expiration or termination of this Lease

IN WITNESS HEREOF, the parties hereto have executed this Agreement on the day and year first above written

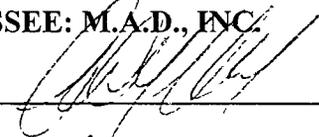
**LESSOR: THE VAUGHN GROUP, LTD.**

By   
Title John V. Handelsman  
President and CEO

**CO-LESSEE: ATLAS IRON PROCESSORS, INC.**

By   
Title President

**CO-LESSEE: M.A.D., INC.**

By   
Title President

STATE OF Ohio )  
 ) SS  
COUNTY OF Butler )

On this 6th day of December, 1996 John V. Handelsman, before me personally appeared John V. Handelsman, to me personally known, who being by me duly sworn, says that he is President and CEO of The Vaughn Group, Ltd., an Ohio limited liability company (the "Company"), that the foregoing instrument was signed on behalf of said Company by authority of its Board of Members and he acknowledges that the execution of the foregoing instrument was the free act and deed of said Company



[Notarial Seal]  
My Commission Expires

Kathy J. Voegele  
Notary Public

**KATHY J. VOEGELE**  
Notary Public, State of Ohio  
My Commission Expires Aug. 16, 2000

STATE OF OHIO )  
 ) SS..  
COUNTY OF CUYAHOGA )

On this 5TH day of DECEMBER, 1996 ANTHONY J. GIORDANO, JR., before me personally appeared ANTHONY J. GIORDANO, JR., to me personally known, who being by me duly sworn says that he is PRESIDENT, of Atlas Iron Processors, Inc., a Florida corporation (the "Corporation"), and ANTHONY J. GIORDANO, JR., to me personally known, who being duly sworn says that he is PRESIDENT, of M.A.D., Inc., an Ohio corporation (the "Corporation") that the foregoing instrument was signed on behalf of said Corporations by authority of their Board of Directors and they acknowledge that the execution of the foregoing instrument was the free act and deed of said Corporations

Linda L. Wrege  
Notary Public

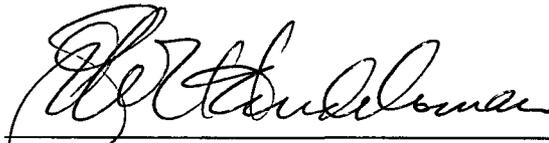
[Notarial Seal]  
My Commission Expires

LINDA L WREGE  
Notary Public, State of Ohio, Cuy Cty  
My Commission Expires Nov 5, 2000

**CERTIFICATION**

Personally appearing before me, the undersigned notary public, John V. Handelsman, being duly sworn, deposes and says upon oath as follows:

1. That he is a Member of The Vaughn Group, Ltd., an Ohio limited liability company, created and existing under the laws of the State of Ohio (the "Company"), that this affidavit is given upon his personal knowledge, and that the facts herein stated are true; and
2. That as a Member of the Company he is authorized to act on behalf of the Company; and
3. That attached hereto is a true and correct copy of Master Lease Agreement No. 136 dated November 21, 1996 (the "Lease") between the Company and Atlas Iron Processors, Inc. and M.A.D., Inc. (the "Co-Lessees") and any and all amendments thereto; and
4. That said Lease is in full force and effect, and there have been no amendments or modifications of said articles or Lease except for such amendment or modification as are attached hereto.



John V. Handelsman

Sworn to and subscribed before me this 10th day of December, 1996.



Notary Public



**KATHY J. VOEGELE**  
Notary Public, State of Ohio  
My Commission Expires Aug. 16, 2000