BASIC LEASING ISSUES: TRANSACTIONAL APPLICATIONS

A PRIMER ON TRAC LEASES

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TRAC Leases

- “TRAC” stands for Terminal Rental Adjustment Clause.
  - A TRAC Lease is a creation of Federal Tax Law - IRC §7701(h).
  - Only applies to motor vehicles (including trailers).
  - Lessee provided with economic incentive to keep the motor vehicles in good repair.
  - Split-TRAC - same as TRAC except residual risk split between Lessor and Lessee.
Four (4) requirements that must be fulfilled for a motor vehicle operating agreement to “qualify” for treatment as a true tax lease under IRC §7701(h):

- Ignoring the TRAC provision, the agreement must qualify as a true lease for federal income tax purposes.
- The acquisition of the motor vehicle by the Lessor must not be financed with non-recourse debt.
- Lessee must sign a separate written agreement stating at least 50% of use of property will be in a trade or business of Lessee and Lessee agrees it will not be treated as the owner of the motor vehicle for federal income tax purposes.
- Lessor must not have any knowledge that Lessee’s certification is false.
Required Documentation

- **TRAC LEASE RIDER/ADDENDUM**
  - setting forth Estimated Residual Value

- **SPLIT-TRAC LEASE RIDER/ADDENDUM**
  - setting forth Estimated Residual Value
  - setting forth Lessee’s Residual Value Amount

- **MAINTENANCE AND RETURN RIDER**

- **ENVIRONMENTAL INDEMNITY RIDER**

- **LESSEE CERTIFICATION AND NOTICE OF TAX OWNERSHIP**

- **LESSEE PURCHASE OPTION RIDERS**
Issues to Consider

- IS TAX INDEMNIFICATION NECESSARY?
- WHAT WILL THE MOTOR VEHICLES HAUL?
  - environmental liability
  - amount of liability insurance
- PURCHASE OPTION GRANTED TO THE LESSEEEE
  - fixed price or FMV
  - condition to exercise purchase option - no default
- HOW WILL LESSOR BE NAMED ON CERTIFICATES OF TITLE?
INTRIGUED BY TRAC LEASES ..... 

- YOU CAN EITHER:
  - A. Seek Mental Health Assistance OR
  - B. COME TO THE ROUNDTABLE DISCUSSION GROUP

“WHERE THE RUBBER MEETS THE ROAD - CURRENT ISSUES IN MOTOR VEHICLE LEASING”
Basic Leasing Issues: Transactional Applications

Leasing Computer Hardware and Software
A. Issue Spotting for High Tech Equipment Leasing

- Like commercial lending, equipment leasing is form driven
- Form documents need to be adopted to broad range of equipment transactions
- Standard form may be ill-suited for leasing desktop and notebook computers and other small items of technology equipment
- Most lease forms designed for non-technology equipment and many technology forms were written for mainframe computers and other large immobile technology equipment
- Templates do not address important, unique issues in small computer leasing
A. Issue Spotting for High Tech Equipment Leasing (cont.)

- Situation made worse when lessees request additional rights and options on forms not designed to accommodate flexibility
- One size does not fit all
B. Common Pitfalls in Using Lease Forms

- Small Computer Equipment is subject to rapid obsolescence:
  - Does the lessor rely on equipment collateral value in its risk assessment?
  - Does transaction pricing assume a high residual value?
  - How should upgrades or substitutions be addressed?
  - What about the mobility of the equipment?
  - How important is it to enforce ongoing maintenance provisions during the term of the lease, given declining value of equipment being maintained?
  - Will lessee have substitution rights, purchase option rights, etc.?
C. Reliance on Collateral and Residual Values

- Are collateral protection provisions valuable? If it is a “credit” deal, maintenance and return provisions may be relaxed. If it is an early stage lessee, maybe not.

- Residual pricing high to keep rates low – lessors bet on lessees desire to exercise fixed rate purchase option or accept high FMV purchase option. Some lessors create impossible return provisions which compel higher purchase price and allow breach claim and casualty value remedy. For example:
  - Return all (but not less than all) equipment
  - No repair, functional or cosmetic damage, no missing cables or manuals
  - All equipment returned in original packaging
D. Nature of the Equipment; Upgrades

✔ Maintain cutting-edge technology

✔ Upgrade or substitution rights:
  • Mandatory upgrades or refresh rights?
  • With or without increase in rents?
  • Upgrades that benefit lessee but adversely impact remarketability of equipment
  • Alterations/accessions
  • Blanket assurances of lessor financing?
  • “Mutually agreeable terms”?
E. Mobility

- Likelihood of theft, loss and disappearance
- Frequent Relocation:
  - Change in tax treatment
  - Administrative headaches
  - Revised Article 9 – for registered organizations organized under state law, filing made in the jurisdiction in which the lessee is organized
  - State sales/use and property tax issues
  - Knowledge of location essential to repossession and end-of-term planning
F. Casualty Losses and Cures

(i) Damage versus Destruction:
- More likely to be lost or destroyed than computer mainframe
- Distinction between “damage” and “destruction”
- Difference between “damaged beyond repair” and “damaged beyond economical repair”?
- What about “consumables” (mouses, keyboards, manuals, cables, etc.) – if lost, when do they need to be replaced? Covered by casualty value or not to exceed value?
(ii) Replacement Rights:

- “Like kind” replacement language – same make, model, manufacturer – what ifs
- Event of loss – promptly replace or pay casualty value
  - When does lessee “know”
  - Possible de facto purchase option
- Casualty value should exceed residual booked by the lessor, but if set too high may be a penalty
G. Maintenance and Alteration

- Require maintenance contract from manufacturer or other approved organization when covered by warranty for entire term?
- Embedded software and certain hardware functions may result in significant warranty payments or rights – Ethan Shaw and Clive D. Moon v. Toshiba American Information Systems, et al.
- Maintenance requirements influenced by collateral and lessee credit worthiness considerations
- Software issues:
  - Who owns the software? (Is it licensed to lessor or lessee?)
  - Lessee to remove software before expiration of lease term?
G. Maintenance and Alteration (cont.)

- Clarify that software needed to maintain value must remain on the equipment
- Software as collateral – over last 15 years, software has gone from 10% of typical software/hardware package to 25% to 100% – may be more valuable than hardware
- Make it “mission critical”
H. Return of Equipment

“Perfect Return”:

- What does “reasonable wear and tear excepted” mean?
- Interplay of maintenance requirement, definition of “destruction/damage” and “reasonable wear and tear” for return purposes
- Extensions of term? Entire lease (or schedule) extend? Per diem only for equipment in need of repair? Auto renewal if all units not properly returned?
- Substitution rights:
  - Right to return similar equipment or forced to pay casualty value
  - Cross schedule substitutions?
  - Remarketing issues, collateral values and lessee cherry-picking
I. Toward a More Workable Lease Contract

✔ Get ahead of the curve:

- Offer reasonable upgrade and substitution options that allow for re-examination of lessee’s credit, value of new/upgraded equipment and market conditions
- Adjust language for importance of equipment location
- Examine maintenance language and consider its applicability during the term, upon return or both
- Address “damage” versus “destruction” issue up front
- Consider effects of substitution, replacements, returns of other leased items and other end-of-term rights
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BASIC LEASING ISSUES: TRANSACTIONAL APPLICATIONS

Leasing Computer Hardware and Software

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1. Issue Spotting for High-Tech Equipment Leasing

Standard lease form language needs to be reconsidered when leasing smaller and portable items of high tech equipment. One size will not fit all. An “off-the-rack” lease will need to be tailored because of the unique characteristics of computer hardware and software. Several lease provisions from the Master Lease are affected because of the property being financed. Small computer equipment is subject to fairly rapid obsolescence; which raises a number of issues: What value does the equipment have in the lessor’s risk assessment? Does transaction pricing assume high residual value? How are upgrades and accessions to be handled? How will the mobility of the equipment be addressed? What about maintenance and return conditions? Will the lessee have substitution rights, purchase option rights, etc.?

A. Reliance on Collateral and Residual Values

At the outset, the lessor should decide whether provisions in the lease form designed to protect the value of the leased equipment are meaningful. If the lessee’s creditworthiness is the key factor, rather than the equipment as collateral, then the lessor may be willing to relax some of the standard lease form’s maintenance and return conditions.

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1 Please note that much of what follows is paraphrased from the Imperfect Fit article noted in the Reference Materials section at the end hereof.
On the other hand, many small computer equipment deals are placed with technology companies or development stage lessees whose credit may be less than investment grade at the time. With lessees of lesser creditworthiness, the collateral value
of the equipment obviously becomes more important. Even though the resale market for
desktop computers may not be that attractive, and many computer lessors may be tempted
to not put much stock in the residual value of their collateral, most lessors will still want
to pay some attention to maintenance of collateral values in order to protect against lessee
defaults.

Another important consideration is the determination and use of residual values in
pricing small computer equipment transactions, as well as determining return conditions
and events of loss. Many technology lessors have used higher (and some would say
unrealistic) residual value assumptions in an effort to keep rental rates lower in the
competitive marketplace. These same lessors seek to create return standards which
would make it extremely unlikely that the lessee could comply with such provisions.
These provisions are designed to compel a higher purchase price from the lessee, and to
assert a claim of breach and seek a casualty value remedy when equipment is not returned
in perfect condition. Examples of impossible return standards include requiring (i) all
(but not less than all) equipment be returned, (ii) no repair, functional or cosmetic
damage, no missing cables or manuals and (iii) all equipment be returned in its original
packaging. To date, these efforts have resulted in mixed success.

B. Nature of Equipment; Upgrades

High tech equipment lends itself to frequent upgrading in order to maintain
cutting-edge technology. Still, even “reasonable” residual value assumptions may be
eviscerated if rapid technology advances occur.

Lessors will frequently permit lessees the flexibility of upgrading the equipment
or even replacing existing equipment with a new and improved model (a so-called
“substituted item”). Should a lessor insist on mandatory upgrades or substitutions, with or without rent increases to protect or enhance the value of its assets? What if the change occurs during the last year of the term? Can the parties distinguish between modifications that benefit the lessee but adversely affect the remarketability of the equipment? Many lessees will want to upgrade during the lease term and not simply at lease expiry. If the lessee adds the upgrade to the lessor’s property but the incumbent lessor does not finance the upgrade, it is unlikely the lessee will get financing from someone else of an upgrade to another lessor’s underlying asset. On the other hand, blanket assurances of financing do not protect the lessor from deterioration in the lessee’s creditworthiness over time.

If a lessor commits to finance upgrades on “mutually agreeable” terms, can the lessee be assured they will be on commercially reasonable terms or is this merely illusory? Many experienced lessees believe the “mutually agreeable” upgrade terms do not mean much.

C. Mobility

The physical characteristics of the equipment need to be considered as well. Desktops, notebooks and other soft collateral items are susceptible to loss, theft and disappearance. Also, movement of equipment to jurisdictions where the lessor does not routinely transact business may create administrative burdens for a lessor.

Lessees will point to lease language prohibiting movement of equipment being drafted based on former Article 9 of the UCC, requiring a filing where the equipment was located. Under Revised Article 9, for registered organizations organized under state law, the filing is made in the jurisdiction where the lessee is organized and therefore no new
filing is required when equipment is moved. Still, knowledge of location of the equipment is essential for reposition and end of term planning. In addition, the analysis of state sales/use and property tax may be subject to change when equipment is moved across state lines.

D. Casualty Losses and Cures

(i) Damage versus Destruction

As noted, because small computers are highly mobile, they are more likely to be lost or destroyed than a mainframe. The lessor’s ability to inspect may be significantly reduced and hopes of tracking all items of notebook computers are often lost at the outset. The difference in the burden on a lessor to inspect 10,000 notebook computers in 40 locations versus one mainframe is considerable.

What about the distinction between “damage” and “destruction”? What if a computer continues to function properly but is so badly damaged that it would cost more to repair it than it is worth – has it been destroyed?

Is there a difference between “damaged beyond repair” and “damaged beyond economical repair”? Suppose a unit suffers damage, casualty value is $1000, fair market value is $400 and cost to repair is $500. Has the unit been destroyed? It depends on your lease language. If the lease says damaged beyond repair, then the unit has not been destroyed because it can be repaired. On the other hand, an argument could be made that the unit has been damaged beyond economical repair since the value of the unit is only $400.

Also, many lessees seek special rights with regard to “consumables” (mouses, keyboards, manuals, cables and other peripheral items) that are most likely to be lost or
destroyed during the term. If they are lost, when do they need to be replaced – during the term or only at the end or should they be covered by a casualty value or not to exceed value? Some lessees have been getting “best efforts” to return these items, but no contractual liability if some of these items are not returned.

(ii) Replacement Rights

Often when items of equipment are lost, stolen or destroyed, the lease will have “like kind” replacement language, speaking in terms of replacement with items of equipment of the same make, model, type and configuration. In the case of small computer equipment, lessors might do well to consider modifying the like-kind language, should they be willing to permit it to begin with. For example, may the lessee replace an item with an “improved” item that is less marketable at lease termination? Does the substituted unit have to be from the original manufacturer – even if said manufacturer no longer makes such equipment? If the original model has been discontinued, should the lessor require replacement with the improved model? We have been seeing more “if” lists being pursued by larger, creditworthy lessees on this issue. They seek language permitting equipment replacement from the same manufacturer if available and of the same configuration if available. If neither can be complied with, then equipment of at least comparable functionality, equipment manufactured by another same tier vendor and so forth.

Also pay attention to the event of loss section. The usual provision requires the lessee to notify the lessor in the event of loss and to elect promptly to either replace the property or pay the casualty value. Lessees are likely to say that they may not have knowledge of loss of small computer equipment and seek to limit the notice obligation to
knowledge of senior people or knowledge at the end of term. While this may seem reasonable, the lessor is open to the lessee’s discovering the loss of equipment on the last day of the term, resulting in a de facto purchase option allowing lessee to pay casualty value for “lost” items or replace the item at the end of the term.

Casualty values at the end of term should be high enough to fully cover the lessor’s anticipated residual, even if higher than the projected market value. Lessors usually book a lower residual than they expect to realize to avoid a loss at lease end or avoid writing down lower residual values during the lease term. If the lessee does not produce all units at lease expiry, the lessor has lost its ability to realize the value it originally expected to have in the residual. One would expect the end-of-lease casualty value to exceed residual value booked by the lessor. That said, higher is not always better. Casualty values set unreasonably high may be construed as a penalty and not be enforceable. Suppose equipment has a casualty value of $900 but a fair market value of $300. Items are returned with damage which allows the lessor to seek casualty value for such items as an express remedy. Some would argue that the economic reality is that under such circumstances paying casualty value is a penalty.

E. Maintenance and Alteration

Many leases of small computer equipment require the lessee obtain a maintenance contract from the manufacturer or other approved organization. Does this make sense particularly where the warranty on such equipment may extend for the entire lease term? Should the lessor nevertheless leave the standard “good operating condition” language during the term but assure the lessee that it will not be a problem if a few items are not
maintained in such condition? Lessors should be careful that acknowledging that a provision will not be enforced could affect a court’s construction thereof down the road.

Also, embedded software and certain hardware functions may result in significant warranty rights or payments. These rights may effect residual value as well as functional value of the equipment during the term. Many form leases state that so long as no default exists, the lessee has the right to all warranty recoveries. A representative provision in this regard states: “Lessor hereby appoints Lessee as Lessor’s agent to assert, during the term of the applicable Equipment Schedule, any right Lessor may have to enforce the manufacturer’s warranties, if any, provided, however, that Lessee shall indemnify and hold Lessor or its assignee harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred or suffered by Lessor as a result of or incident to any action by Lessee in connection therewith.”.

Conversely, should the lessee be able to drop off equipment at the local computer store for maintenance? Not surprisingly, the contract requirements for maintenance will be influenced by considerations of the lessee’s creditworthiness and the value and nature of the collateral.

**F. Software Issues**

Form agreements for nontechnology equipment rarely address software issues. Many agreements used by technology lessors only address “alterations, modifications or accessions” which are likely not to address the issues of most concern to technology lessors. Relevant considerations include these: Who owns the software? Is it licensed to lessor or to lessee? Is it clear that all software necessary to maintain the value of the
equipment must remain on the equipment? Should the lessee be required to remove the software at the end of the lease term?

(i) Collateral Value of Software

Most everyone who leases computer equipment must also lease copyrighted software as well as other soft costs including cabling, installation, training, etc. It goes part and parcel with the business of leasing technology.

Many lessors see little or no residual value for software with some residual value for hardware and may look to the underlying credit to get paid. In marginal credits, the purpose and value of software to the lessee/borrower might influence the credit decision if loss of software would put the lessee/borrower under pressure. Lessors note a subtle difference between leasing soft costs versus proprietary software with proprietary software being more valuable. Some lessors think that intellectual property may have better value than hard assets because it usually does not depreciate and may in fact grow in value. I am sidestepping leasing and/or financing issues related to leasing of patents, copyrights, trademarks and service marks, and trade secrets as being beyond the scope of this presentation.

Lessors vary as to their comfort level of using software as collateral. Difficulties in selling used software stem partly from the newness of software leasing. In the last 15 years, software has gone from 10% of the typical software/hardware package to 25% to 100% and now the reality is that software is often more valuable to the customer. The key for software lessors in valuing software as collateral is focusing on the mission criticality of the software to the lessee because that makes it easier to use it as a “stick” in
a default situation, unlike hardware which is a commodity that may depreciate rapidly and can be replaced.

G. Return of Equipment

No issue is more vexing for either lessors or lessees of small computer equipment than the end-of-term situation. In many cases, the lessor hopes the lessee will exercise its purchase option instead of returning the equipment. At the same time, as early as the proposal stage, lessees are pushing for additional options and rights at the end of the lease term.

(i) Perfect Return

Some lessees demand a clear definition of what “reasonable wear and tear excepted” means. Lessees focus on the ability of the equipment to function in the desired manner, but that may mean computers with broken hinges, cracked screens or other cosmetic defects. Note here also the interplay of the maintenance requirement, the definition of “destruction/damage” and “reasonable wear and tear” for return purposes. From the lessor’s standpoint as well, reasonable wear and tear language may be unacceptable.

Return provisions may also require that all items be returned at the same time. This raises issues of extensions of term and what happens if some, but not all, of the equipment requires substantial repairs or modification to either qualify for maintenance recertification or simply be in good operating condition. Does the entire lease (or schedule) extend? Does lessee pay a per diem only for equipment that needs repair? Does an automatic renewal term kick in if all units are not properly returned at lease end?
(ii) Substitution of Like-Kind Equipment

Lessees will often negotiate rights to substitute equipment during the term. Unlimited substitution rights may be viewed by many lessors as unworkable. Often lessors will provide that the lessee may not substitute any item of equipment having a capitalized lessor’s cost in excess of 10% of the aggregate capitalized lessor’s cost of all equipment at any time leased under the lease.

Lessees will also seek the right to return similar small computer equipment if the one they leased is lost at the end of the term or if the return is simply inconvenient. Some lessors will insist on being paid casualty value if equipment cannot be located at the end of the lease. Is the lessee required to pay a casualty value for units that are not properly returned or for all units because the compliance with the return provision was not perfect? Some lessors may insist on complete returns or all items being purchased under the lease.

Depending upon how event-of-loss language is drafted, the lessee may have the right to replace or pay casualty value for individual items of equipment even if the language does not appear as an alternative to a proper return. Also, some leases may permit return of items of equipment from different schedules to satisfy the return provision for a specific schedule coming to term. Of course, with these additional return options, lessors will need to be aware of the potential for a lessee cherry-picking its leased portfolio.

H. Toward a More Workable Lease Contract

We have, by design, raised more questions than we have answered. Most of the issues addressed here require negotiation between fully informed lessors and lessees willing to break from the standard form lease provisions to craft creative solutions. One
size clearly does not fit all and much of the language in traditional equipment lease forms should be rethought when leasing notebooks, desktops and other small computer equipment.

In addressing these issues, lessors should consider the following alternatives to standard lease language:

1. Offer reasonable upgrade or substitution options that permit reexamination of the lessee’s credit and valuation of new or upgraded equipment, as well as adjustments for the market conditions at the time of the upgrade.

2. Review and revise language for equipment location. Allow reasonable movement, usually within a geographic area acceptable to lessor, keeping in mind the possibility of default or early return.

3. Decide whether it is essential to residual assumptions that maintenance criteria be specified, during the term, upon return or both, keeping in mind the credit quality of your lessee.

4. Review casualty definition and consider how “minor” damage might affect residual value.

5. Consider the effects of replacements, substitutions, returns, purchase options and other end-of-term rights commonly requested by technology lessees.
Reference Materials

1. In re: Pillowtex, Inc., 2002 WL 32332071 (Bankr. D. Del. 2002), aff’d 349 F.3d 711 (3d. Cir. 2003) where the Third Circuit Court of Appeals held that agreement under which seller of energy-saving equipment installed at no cost to buyer in exchange for monthly payments of buyer’s energy savings for eight years, though intended by parties to be a lease, was in fact a secured financing arrangement, based on an economic realities analysis.


THE LEASING COMPANY

REAL PROPERTY WAIVER

THIS WAIVER, Made as of the _____ day of ____________, ______, by and between THE LEASING COMPANY, its successors and assigns (hereinafter the "Lessor"), and the undersigned.

The undersigned has the interest described below in the premises more specifically described on the attached schedule (the "Premises"). The Premises are now occupied in whole or in part by ____________ (hereinafter the "Lessee"), and Lessee desires to lease from Lessor certain equipment which is already on or is to be delivered to or installed on the Premises, all of said equipment being more fully described on the schedule attached hereto (hereinafter collectively the "Equipment"), all of which Equipment is now or hereafter may become subject to a Master Lease Agreement (hereinafter the "Agreement") between Lessor and Lessee; to be used in connection with the business of Lessee as now or hereafter conducted.

Lessor is willing to lease the Equipment to Lessee, provided that the undersigned recognizes Lessor's title and interest in and to the Equipment.

NOW, THEREFORE, in consideration of the premises and the sum of Ten Dollars ($10.00) in hand paid, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby consents and agrees as follows:

1. Title to the Equipment to be leased to Lessee by Lessor is and shall remain in Lessor.

2. All the Equipment may be kept, installed, maintained, used and operated in the Premises; and shall remain personal property notwithstanding the manner or mode of the attachment of such Equipment to the realty and shall not become fixtures.

3. The undersigned waives and agrees not to assert any lien, claim or interest which the undersigned may now have or hereafter may acquire against or in the Equipment by virtue of the undersigned's interest in the real property, or otherwise.

4. In the event of default by Lessee in the performance of any of its obligations pursuant to the Agreement or any extension or renewal of said Agreement, Lessor may: (a) abandon the Equipment in place, (b) assemble the Equipment and conduct an auction of the Equipment on the Premises, or (c) remove the Equipment from the Premises in accordance with the terms and conditions of said Agreement.

5. Lessor may, without affecting the validity of this Waiver, extend the time of the payment of any rental or the performance of any of the other terms and conditions of the Agreement, without the consent of, and without giving notice thereof to, the undersigned.

6. This Waiver shall inure to the benefit of the successors and assigns of Lessor and shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

IN WITNESS WHEREOF, the undersigned has caused this Waiver to be duly executed as of the day and year first above written.

INTEREST IN PREMISES:

☐ OWNER
☐ LANDLORD
☐ MORTGAGEE

By: ____________________________
Name: __________________________
Title: __________________________

MCGIBSON 530500.1
STATE OF ____________________________:

COUNTY OF __________________________:

The undersigned, a Notary Public within and for said County, in the State aforesaid, duly commissioned and acting, hereby certifies that on this _______ day of _____________, ____, personally appeared before me __________________, to me personally known and known to be the person who signed the foregoing Waiver, who, being by me duly sworn and being informed of the contents of said Waiver, stated and acknowledged on oath that he signed, sealed and delivered same with authority as his free and voluntary act and deed, for the uses, purposes and considerations therein mentioned and set forth.

My Commission Expires: ________________________________

___________________, ________

Notary Public

PREPARED BY: LAW FIRM

120 LAWYER STREET

BALTIMORE, MARYLAND  21202-1643
Gentlemen:

As counsel for ________________________ (the "Lessee"), we are furnishing this opinion pursuant to Section 5(a) of that certain Master Lease Agreement dated as of ______________________, __________ (the "Lease"), between The Leasing Company, as lessor (the "Lessor"), and Lessee, as lessee.

All capitalized terms used herein without definition which are defined in the Lease shall have the meanings given them therein.

We have reviewed originals or copies, certified or otherwise identified to our satisfaction, of the Lease Documents. We have examined the Charter, By-Laws, and records of corporate proceedings of Lessee, and such additional documents, and we have obtained such other certificates, affidavits and advices from officers of Lessee or from public officials as we have deemed necessary or appropriate for the purposes of this opinion.

On the basis of the foregoing and on the basis of our consideration of such facts and laws as we have deemed necessary, we are of the opinion that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of __________________________.

(b) The execution, delivery and performance of the Lease Documents, (i) have been duly authorized by all necessary corporate action on the part of Lessee; (ii) do not require any stockholder approval or approval or consent of any trustee or holders of any indebtedness or obligations of Lessee except such as have been duly obtained; and (iii) do not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the charter or by-laws of Lessee, or contravene the provisions of or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage or other agreement to which Lessee is a party or by which it or its property is bound.

(c) The Lease Documents, when entered into, will constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with the terms thereof, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally, and by applicable laws (including any applicable common law and equity) and judicial decisions which may affect the remedies provided therein. The Bill of Sale incorporated in the Schedule is sufficient in form to transfer to Lessor such title as was held by Lessee to the equipment described on the Schedule of Equipment attached thereto. No filing or recordation must be made, no notice must be given, and no other action must be taken with respect to any state or local jurisdiction, or any person, except such as have been duly made, given or taken, in order to preserve to Lessor all the rights transferred by the Bill of Sale. Although the Lease is expressed to be governed by the laws of the State of Maryland, for the purpose of the opinion set forth in this paragraph we have assumed that the laws of the State of __________________________ are applicable to this transaction.

We confirm that, to our knowledge, there are no pending actions or proceedings to which Lessee is a party, and there are no other pending or threatened actions or proceedings of which we have knowledge, before any court, arbitrator or administrative agency which, either individually or in the aggregate, would have a Material Adverse Effect.
This opinion is given for the benefit of, and may be relied on by, the addressee and its successors and assigns.

Sincerely yours,
Gentlemen:

As counsel for ________________________ (the "Lessee"), we are furnishing this opinion pursuant to Section 5(a) of that certain Master Lease Agreement dated as of ______________________, __________ (the "Lease"), between The Leasing Company, as lessor (the "Lessor"), and Lessee, as lessee.

All capitalized terms used herein without definition which are defined in the Lease shall have the meanings given them therein.

We have reviewed originals or copies, certified or otherwise identified to our satisfaction, of the Lease Documents. We have examined the Charter, By-Laws, and records of corporate proceedings of Lessee, and such additional documents, and we have obtained such other certificates, affidavits and advices from officers of Lessee or from public officials as we have deemed necessary or appropriate for the purposes of this opinion.

On the basis of the foregoing and on the basis of our consideration of such facts and laws as we have deemed necessary, we are of the opinion that:

(a)  Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of __________________________.

(b)  The execution, delivery and performance of the Lease Documents, (i) have been duly authorized by all necessary corporate action on the part of Lessee; (ii) do not require any stockholder approval or approval or consent of any trustee or holders of any indebtedness or obligations of Lessee except such as have been duly obtained; and (iii) do not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the charter or by-laws of Lessee, or contravene the provisions of or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage or other agreement to which Lessee is a party or by which it or its property is bound.

(c)  The Lease Documents, when entered into, will constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with the terms thereof, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally, and by applicable laws (including any applicable common law and equity) and judicial decisions which may affect the remedies provided therein. The Bill of Sale incorporated in the Schedule is sufficient in form to transfer to Lessor such title as was held by Lessee to the equipment described on the Schedule of Equipment attached thereto. No filing or recordation must be made, no notice must be given, and no other action must be taken with respect to any state or local jurisdiction, or any person, except such as have been duly made, given or taken, in order to preserve to Lessor all the rights transferred by the Bill of Sale. Although the Lease is expressed to be governed by the laws of the State of Maryland, for the purpose of the opinion set forth in this paragraph we have assumed that the laws of the State of __________________________ are applicable to this transaction.

We confirm that, to our knowledge, there are no pending actions or proceedings to which Lessee is a party, and there are no other pending or threatened actions or proceedings of which we have knowledge, before any court, arbitrator or administrative agency which, either individually or in the aggregate, would have a Material Adverse Effect.
This opinion is given for the benefit of, and may be relied on by, the addressee and its successors and assigns.

Sincerely yours,
THE LEASING COMPANY

SUGGESTED FORM OF OPINION LETTER FOR LESSEE

The Leasing Company
123 Fake Street
Springfield, Ohio

Gentlemen:

As counsel for ______________________ (the "Lessee"), we are furnishing this opinion pursuant to Section 5(a) of that certain Master Lease Agreement dated as of ______________________, ________ (the "Lease"), between The Leasing Company, as lessor (the "Lessor"), and Lessee, as lessee.

All capitalized terms used herein without definition which are defined in the Lease shall have the meanings given them therein.

We have reviewed originals or copies, certified or otherwise identified to our satisfaction, of the Lease Documents. We have examined the Charter, By-Laws, and records of corporate proceedings of Lessee, and such additional documents, and we have obtained such other certificates, affidavits and advices from officers of Lessee or from public officials as we have deemed necessary or appropriate for the purposes of this opinion.

On the basis of the foregoing and on the basis of our consideration of such facts and laws as we have deemed necessary, we are of the opinion that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of _________________________.

(b) The execution, delivery and performance of the Lease Documents, (i) have been duly authorized by all necessary corporate action on the part of Lessee; (ii) do not require any stockholder approval or approval or consent of any trustee or holders of any indebtedness or obligations of Lessee except such as have been duly obtained; and (iii) do not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the charter or by-laws of Lessee, or contravene the provisions of or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage or other agreement to which Lessee is a party or by which it or its property is bound.

(c) The Lease Documents, when entered into, will constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with the terms thereof, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally, and by applicable laws (including any applicable common law and equity) and judicial decisions which may affect the remedies provided therein. Although the Lease is expressed to be governed by the laws of the State of Maryland, for the purpose of the opinion set forth in this paragraph we have assumed that the laws of the State of ________________________ are applicable to this transaction.

We confirm that, to our knowledge, there are no pending actions or proceedings to which Lessee is a party, and there are no other pending or threatened actions or proceedings of which we have knowledge, before any court, arbitrator or administrative agency which, either individually or in the aggregate, would have a Material Adverse Effect.

This opinion is given for the benefit of, and may be relied on by, the addressee and its successors and assigns.

Sincerely yours,
RIDERS NO. 1

To and part of Master Lease Agreement dated as of the ____ day of ______________, _________ (the "Lease"),
between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its
successors and permitted assigns ("Lessee").

[ALTERNATIVE: USE IF RENEWAL IS OPTIONAL]

A. OPTION TO RENEW.  (1) Provided that no Default or Event of Default has then occurred, Lessee shall have the
option to renew this Lease, at the expiration of the original term of this Lease, with respect to all but not less than all of the
Equipment, on the terms and conditions of this Lease, for the Renewal Term specified in the Schedule at the Renewal
Term Rent specified in the Schedule.  If Lessee desires to exercise this option it shall give Lessor irrevocable written
notice of its election to renew at least two hundred forty (240) days before expiration of the original term of this Lease with
respect to the first Schedule to be executed under this Lease.  Such election shall be effective with respect to all
Equipment leased under all Schedules.

[ALTERNATIVE: USE FOR "FIRST AMENDMENT" STRUCTURE (I.E., IF RENEWAL OR PURCHASE IS
MANDATORY)]

A. LESSEE RENEWAL.  (1) PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS THEN OCCURRED,
UNLESS LESSEE SHALL HAVE EXERCISED ITS OPTION TO PURCHASE THE EQUIPMENT, LESSEE SHALL
RENEW THIS LEASE, AT THE EXPIRATION OF THE ORIGINAL TERM OF THIS LEASE, WITH RESPECT TO ALL
BUT NOT LESS THAN ALL OF THE EQUIPMENT, ON THE TERMS AND CONDITIONS OF THIS LEASE, FOR THE
RENEWAL TERM SPECIFIED IN THE SCHEDULE AT THE RENEWAL TERM RENT SPECIFIED IN THE SCHEDULE.

[STANDARD]

(2) Provided that no Default or Event of Default has then occurred, Lessee shall have the option to renew this
Lease, at the expiration of the initial renewal term of this Lease, with respect to all but not less than all of the Equipment,
on the terms and conditions of this Lease, for a negotiated renewal term at a periodic rent equal to the Fair Market Rental
Value of such Equipment determined at the time of renewal.  If Lessee desires to exercise this option it shall give Lessor
irrevocable written notice of its election to renew at least two hundred forty (240) days before expiration of the initial
renewal term of this Lease with respect to the first Schedule to be executed under this Lease.  Such election shall be
effective with respect to all Equipment leased under all Schedules.  Thereafter, Lessee shall engage in negotiations with
Lessor to determine the additional renewal term and the periodic rent to be paid during the renewal term.

(3) For purposes of this Section, "Fair Market Rental Value" shall be deemed to be an amount equal to the rental,
as installed and in use, obtainable in an arms' length transaction between a willing and informed lessor and a willing and
informed lessee under no compulsion to lease (and assuming that, as of the date of determination, the Equipment is in at
least the condition required by Section 13

and Rider No. ______

of this Lease).  If (prior to one hundred eighty (180) days before expiration of the term of this Lease) the parties are unable
to agree on the Fair Market Rental Value of the Equipment, then (at least one hundred twenty (120) days before
expiration of the term of this Lease) Lessor and Lessee shall at Lessee's expense obtain appraisal values from three
independent appraisers (other than American Appraisal Associates, Inc.) (one to be selected by Lessor, one by Lessee,
and the other by the two selected by Lessor and Lessee; each of whom must be associated with a professional organiza-
tion of equipment or personal property appraisers, such as the American Society of Appraisers) and the average Fair
Market Rental Value as determined by such appraisers shall be binding on the parties hereto.  If, prior to ninety (90) days
before the expiration of the term of this Lease, the appraisers selected by Lessor and Lessee are unable to agree on the
third appraiser, then American Appraisal Associates, Inc. will be selected to provide the third appraisal value.
B. OPTION TO PURCHASE. (1)

[OPTIONAL: USE ONLY IF EBO]

Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, on the Early Termination Date specified in the Schedule, all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor irrevocable written notice of its election to purchase at least thirty (30) days and not more than ninety (90) days before the Early Termination Date with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. On the Early Termination Date with respect to each Schedule, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to the Early Termination Percentage specified in the Schedule of the original Total Invoice Cost of the Equipment (as specified on the Schedule), together with all taxes and charges upon sale. Lessor and Lessee agree that the purchase price represents a reasonable prediction of the Fair Market Value of the Equipment at the time the option is exercisable.

(2)

[STANDARD]

Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, upon the expiration of the original term of this Lease, all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor irrevocable written notice of its election to purchase at least two hundred forty (240) days before expiration of the original term of this Lease with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. Thereafter, Lessee shall engage in negotiations with Lessor to determine the purchase price for the Equipment. At the expiration of the original term of this Lease, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to the greater of: (x) the Fixed Percentage specified in the Schedule of the original Total Invoice Cost of the Equipment (as specified on the Schedule), or (y) the Fair Market Value of the Equipment; together with all taxes and charges upon sale.

[STANDARD]

(__) Provided that Lessee is not then in Default, Lessee shall have the option to purchase, upon the expiration of any renewal term of this Lease, all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor irrevocable written notice of its election to purchase at least two hundred forty (240) days before expiration of the applicable renewal term of this Lease with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. Thereafter, Lessee shall engage in negotiations with Lessor to determine the purchase price for the Equipment. At the expiration of the applicable renewal term of this Lease, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to its then Fair Market Value, together with all taxes and charges upon sale.

(__) For purposes of this Section, "Fair Market Value" shall be deemed to be an amount equal to the sale price of the Equipment, as installed and in use, obtainable in an arms' length transaction between a willing and informed buyer and a willing and informed seller under no compulsion to sell (and assuming that, as of the date of determination, the Equipment is in at least the condition required by Section 13 and Rider No. ___ of this Lease). If (prior to one hundred eighty (180) days before expiration of the term of this Lease) the parties are unable to agree on the Fair Market Value of the Equipment, then (at least one hundred twenty (120) days before expiration of the term of this Lease)
[ALTERNATIVE: STANDARD APPRAISAL]

Lessor and Lessee shall at Lessee's expense obtain appraisal values from three independent appraisers (other than American Appraisal Associates, Inc.) (one to be selected by Lessor, one by Lessee, and the other by the two selected by Lessor and Lessee; each of whom must be associated with a professional organization of equipment or personal property appraisers, such as the American Society of Appraisers) and the average Fair Market Value as determined by such appraisers shall be binding on the parties hereto. If, prior to ninety (90) days before the expiration of the term of this Lease, the appraisers selected by Lessor and Lessee are unable to agree on the third appraiser, then American Appraisal Associates, Inc. will be selected to provide the third appraisal value.

[ALTERNATIVE: LESSEE PICKS APPRAISER]

Lessee shall at Lessee's expense obtain an appraisal from an independent appraiser selected by Lessee, who must be associated with a professional organization of equipment or personal property appraisers (such as the American Society of Appraisers) and the Fair Market Value as determined by such appraiser shall be binding on the parties hereto.

[STANDARD]

(_ _) Notwithstanding any election of Lessee to purchase, the provisions of this Lease shall continue in full force and effect until the passage of ownership of the Equipment upon the date of purchase. On the date of purchase, Lessor shall deliver to Lessee a bill of sale transferring and assigning to Lessee without recourse or warranty, except (with respect to the status of title conveyed) in respect of Lessor's acts, all of Lessor's right, title and interest in and to the Equipment. Lessor shall not be required to make and may specifically disclaim any representation or warranty as to the condition of the Equipment or any other matters.

[OPTIONAL: USE ONLY IF RETURN FEE REQUIRED]

C. RETURN OF EQUIPMENT. If Lessee fails timely to exercise its options pursuant to Sections A(1) or B(_ _) of this Rider, then concurrently with return of the Equipment upon expiration of the term of this Lease, Lessee shall pay to Lessor, in cash, the Return Fee (as specified on the Schedule).

[OPTIONAL: USE ONLY IF EARLY RETURN OPTION]

C. EARLY RETURN OPTION. Provided that no Default or Event of Default has then occurred, Lessee shall have the option to terminate this Lease with respect to each Schedule on the Termination Date specified in the applicable Schedule, and to return the Equipment to Lessor, upon the following terms and conditions: if Lessee desires to exercise this option, it shall give Lessor irrevocable written notice of its election to terminate and return at least one hundred eighty (180) days before the Termination Date with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. On the Termination Date, Lessee shall return the Equipment described on the applicable Schedule to Lessor in accordance with the provisions of, and in compliance with the conditions required by, Section 13 and Rider No. _____ of this Lease; and Lessee shall pay to Lessor by certified check or wire transfer (whichever method Lessor so elects) any Rent due on that date plus the Return Fee specified in the applicable Schedule. Notwithstanding any election of Lessee hereunder, the provisions of this Lease shall continue in full force and effect until the return of the Equipment in compliance with the provisions hereof and the payment of the Return Fee as provided herein.
THE LEASING COMPANY
Lessor

By: ____________________________ [SEAL]
Name: __________________________
Title: __________________________

THE MANUFACTURING COMPANY
Lessee

By: ____________________________ [SEAL]
Name: __________________________
Title: __________________________
THE LEASING COMPANY

CORPORATE CERTIFICATE OF RESOLUTIONS

I hereby certify to THE LEASING COMPANY, its successors and assigns ("Lessor"), that I am the Secretary of THE MANUFACTURING COMPANY, a corporation of the State of ______________________ (the "Corporation"), and that the following is a true copy of resolutions duly adopted by the Board of Directors of the Corporation on the ____ day of ______________, ________, and further that such resolutions are in conformity with the Charter and By-Laws of the Corporation and are in full force and effect on the date hereof and have not been modified or rescinded:

"RESOLVED, That the form, terms and provisions of the Master Lease Agreement and Schedules thereto to be or heretofore having been entered into by and between this Corporation and Lessor, copies of which have been submitted to this meeting, providing for the leasing of equipment by this Corporation be, and the same hereby are, in all respects approved; and

"FURTHER RESOLVED, That any officer of this Corporation be, and each of them hereby is, authorized in the name and on behalf of this Corporation (and all actions of any officer of this Corporation heretofore taken in connection therewith are hereby ratified and confirmed as and for actions of the Corporation) to sell to (if applicable) and lease from Lessor, under the terms of said Master Lease Agreement and any Schedule thereto, such equipment as such officer, in his sole discretion, may determine, and for this purpose to execute and deliver in the name and on behalf of this Corporation the Master Lease Agreement and any Schedule thereto, in substantially the form submitted to this meeting, with such changes, additions and amendments thereto as shall be approved by the officer who executes the same, and such other agreements, documents and instruments (including, without limitation, one or more bills of sale), and to do all such other acts and things as may be required to consummate this leasing arrangement; and

"FURTHER RESOLVED, That the Secretary of this Corporation is authorized and directed to deliver and certify to Lessor a certified copy of these resolutions and that the same are in conformity with the Charter and By-Laws of this Corporation."

I further certify that the following persons are duly elected, qualified and acting officers of the Corporation, holding the offices indicated opposite their respective names, and the signature appearing opposite their respective names are the genuine signatures of such persons, respectively:

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(RESOLUTIONS – CORPORATION)
IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this Corporation this ______ day of __________________, ______.

__________________________________________
Secretary

[CORPORATE SEAL]

I certify that the person having executed the foregoing Certificate as Secretary is the duly elected, qualified and acting Secretary of the Corporation, and the signature of such person set forth above is his/her genuine signature.

__________________________________________
Name: ________________________________
Title: ________________________________
RIDER NO. ___

To and part of Master Lease Agreement dated as of the ____ day of __________________, ________ (the "Lease"), between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its successors and permitted assigns ("Lessee").

APPLICABILITY. This Rider shall be applicable solely with respect to items of the Equipment described on Schedules designated as Series __(the "Series __Equipment"); each reference herein to Equipment shall be deemed to refer only to the Series __Equipment; and each reference herein to Schedule shall be deemed to refer only to the Schedules designated as Series __.

RETURN PROVISIONS: In addition to the provisions of Section 13 of this Lease, and provided that Lessee has not elected to exercise its option to purchase the Equipment, Lessee shall, at its expense:

1. ensure all Equipment and equipment operations conform to all applicable local, state, and Federal laws, health and safety guidelines. Upon return, the Equipment will be complete and operational with all components as originally supplied and will have passed D.O.T. inspections, or other appropriate agency or association requirements for operation. If applicable, an inspection sticker or certificate will be furnished to Lessor verifying compliance with any regulatory requirements. Lessee shall satisfy all legal and regulatory conditions necessary for Lessor to sell or lease the Equipment to a third party. Lessee will at all times use the Equipment in compliance with all applicable laws and regulations of any governmental, local and regulatory agency;

2. provide safe, secure storage for the Equipment for ninety (90) days after expiration or earlier termination of the Lease at not more than five (5) locations selected by Lessor;

3. take such action as may be required so that, upon return, each unit of Equipment must meet all of its manufacturer's specifications for performance under full-rated loads, meet current smoke emission standards and be free of oil leaks, and all of the following conditions:

   a. Tires: All tires shall be of the same type (original size) and manufacturer (i.e. matched) and have a minimum of fifty (50) percent remaining tread on original or recapped casings without flat or bald spots, dry rot, exposed cord or cuts in sidewall;

   b. General Condition: Upon return, there must be no structural or mechanical damage. All rust or corrosion must be treated in a manner consistent with standard industry practices. All Equipment must have a good overall appearance and no material damage. The Equipment shall be cleaned (internal and external), free of rust and corrosion with no missing or damaged parts. Upon return, all commercial logos, advertising, graffiti, insignias and lettering shall be removed and repaired in a workmanlike manner so as to not damage the Equipment. Manufacturer's identity plates and markings shall not be removed. With respect to each unit, the total cost of necessary repairs for damage or other related costs necessary to place the Equipment in such condition as to be in complete compliance with this Lease may not exceed $250.00;

   c. Documents and Records: Written records of scheduled and other maintenance and repair work done shall be kept, dated, and signed by the appropriate authority. A service history or log will be maintained during the Lease term and a copy provided to Lessor upon request during the term of the Lease, or at Lease termination. All maintenance records, maintenance record jackets, repair jackets, repair orders, license plates, registration certificates and all other similar documents, in their entirety, must be returned to Lessor;

   d. Brakes: Brake drums and linings shall not be cracked and shall not exceed manufacturers' recommended wear limits. Brake linings shall have fifty (50) percent remaining wear;

   e. Maintenance: Lessee shall strictly follow the manufacturer's recommended maintenance and service schedule, as required to validate any warranty, at Lessee's sole cost and expense. Any maintenance or repair work shall comply with the guidelines and procedures as specified by the manufacturers of the equipment and in accordance with standards in the industry. Lessee will use only original manufacturer's approved replacement parts and components in the performance or any maintenance and repair of the Equipment. Lessee will at all times maintain the Equipment
in good operational condition and appearance, and shall not discriminate such maintenance between owned or leased equipment;

(f) Use: Lessee guarantees that the Equipment will not be or have been loaded beyond the rated capacity as certified by the manufacturer at any time during the Lease term. Lessee will not discriminate in the use of the Equipment from any other similar equipment in its fleet; and

(g) Alterations: Lessee will not modify the Equipment without the prior written approval of Lessor. In any event, Lessee will not make any modifications or alterations that would impair the Equipment's use, value, marketability or manufacturer's warranty and recommendations. Lessee will not make any alterations to the Equipment that would damage or restrict the use of the Equipment from its initial use and design and that cannot be removed without damage to the unit. Changes, modifications or additions to the Equipment mandated by Federal or state authorities will be completed by Lessee and become property of Lessor; and

(4) prior to any return of the Equipment, an in-depth physical inspection will be conducted by a manufacturer's service representative(s) or other authorized maintenance provider selected by Lessor. Any part, component or function found not to be within the manufacturer's tolerances and operational specifications will be replaced or brought within those tolerances and specifications to the satisfaction of Lessor. Lessee shall obtain written certification from the manufacturers or their authorized representative, that the Equipment has been returned in accordance with the terms set forth herein.

THE LEASING COMPANY
Lessor

By: ______________________ [SEAL]
Name: ______________________
Title: ______________________

THE MANUFACTURING COMPANY
Lessee

By: ______________________ [SEAL]
Name: ______________________
Title: ______________________
RIDERS NO. ____

To and part of Master Lease Agreement dated as of the ____ day of __________________, __________ (the "Lease"), between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its successors and permitted assigns ("Lessee").

RETURN PROVISIONS: In addition to the provisions of Section 13 of the Lease (provided that any inconsistency between the provisions of Section 13 and this Rider shall be resolved in favor of the provisions of this Rider), and provided that Lessee has not elected to exercise its option to purchase the Equipment, Lessee shall, at its expense:

(  ) At least ______________ (______) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, provide or cause the vendor(s) or manufacturer(s) to provide to Lessor the following documents: (1) one set of service manuals, blue prints, process flow diagrams and operating manuals including replacements and/or additions thereto, such that all documentation is completely up-to-date; and (2) one set of documents, detailing equipment configuration, operating requirements, maintenance records, and other technical data concerning the set-up and operation of the Equipment, including replacements and/or additions thereto, such that all documentation is completely up-to-date.

(  ) At least ______________ (______) days prior to expiration or earlier termination of the Lease, upon receiving reasonable notice from Lessor, make the Equipment available for on-site operational inspections by potential purchasers, above ground and under power, and provide personnel, power and other operational requirements necessary to demonstrate electrical, mechanical and ______________________ systems for each item of the Equipment.

(  ) Not more than ______________ (______) days prior to expiration or earlier termination of the Lease, cause the Designated Person to perform a comprehensive physical inspection, including testing all material and workmanship of the Equipment; and if during such inspection, examination and test, the Designated Person finds any of the material or workmanship to be defective or the Equipment not operating within the manufacturer's specifications, then Lessee shall repair or replace such defective material and, after corrective measures are completed, Lessee will provide for a follow-up inspection of the Equipment by the Designated Person as outlined in the preceding clause.

(  ) Upon return, Lessee shall cause the Designated Person to provide to Lessor an inspection report prepared immediately prior to redelivery of the Equipment, confirming that the Equipment is in the condition required by the Lease and this Rider or specifying any deficiencies in such compliance, including the estimated cost of repairs required to cause such compliance. Such report shall: (1) include a detailed inventory of all components of the Equipment (including, but not limited to, a listing of model and serial numbers for all components); (2) with reference to computer and computer-based equipment comprising the Equipment, include a detailed listing of all internal circuit boards by both the model and serial number for all hardware comprising the Equipment and a listing of all software features, listed individually; and (3) detail any attachments, alterations or additions made after initial delivery and acceptance of the Equipment pursuant to the Lease, and include photographs of the Equipment and, if requested by Lessor, a videotape of the Equipment in an operational state.

(  ) At least ______________ (______) days prior to expiration or earlier termination of the Lease, provide for an inspection and Fair Market Value appraisal to be performed by an appraiser of Lessor's choice, with the results of such appraisal to be forwarded to Lessor.

(  ) Furnish a ______________ (______) year warranty/manufacturer's maintenance agreement to cover all on-going maintenance throughout the ______________ (______) -year maintenance period (said warranty/maintenance agreement will also cover all parts and labor necessary to make repairs resulting from the improper re-installation and necessary test runs).

(  ) Furnish to Lessor a listing of no less than ______________ (______) alternative suppliers of replacement parts and other materials necessary for the prolonged operation of the Equipment.

(  ) Supply replacement parts or materials for a period of ______________ (______) years following expiration or earlier termination of the Lease, which are available only from Lessee, or any subsidiary of Lessee, or an affiliated company of Lessee, which are necessary for the continued operation of the Equipment; and which shall be provided as and when requested by Lessor or its purchaser at the then current market prices.

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Each item of Equipment which is returned with more than ________________ (______) operating hours will be assessed a surcharge equal to ________________ (______) for each ________________ (______) over ________________ (______).

Ensure that all inspections, overhauls, rebuilds, or certifications known to be or expected to be due within ________________ (______) months are completed prior to redelivery.

Cause the Equipment to be steam cleaned and degreased.

Provide for the deinstallation and packing of the Equipment to include, but not be limited to, the following: (1) all process fluids shall be removed from the Equipment and disposed of in accordance with the then current waste disposal laws and regulations. At no time are materials which could be considered hazardous waste by any regulatory authority to be shipped with machinery; (2) all internal fluids such as lube oil and hydraulic fluid are to be filled to operating levels; filler caps are to be secured and disconnected hoses are to be sealed to avoid spillage; (3) the manufacturer’s representative shall deinstall all Equipment in accordance with the specifications of the manufacturer; and (4) the Equipment shall be packed properly and in accordance with the manufacturer’s recommendations.

Have the Equipment reassembled and installed at the location to which it is redelivered in good operating condition and able to perform all functions for which the Equipment is designed.

Make available for a period of ________________ (______) days following successful re-installation and test runs, as required, any engineering and technical personnel necessary for the training of personnel with respect to the operation, maintenance and repair of the Equipment (said engineering and technical personnel will be made available by Lessee for an additional ________________ (______) day period for consultation regarding the operation of the Equipment).

Provide insurance and safe, secure storage for the Equipment for ________________ (______) days after expiration or earlier termination of the Lease at ________________ (______) accessible locations satisfactory to Lessor.

THE LEASING COMPANY
Lessor

THE MANUFACTURING COMPANY
Lessee

By: ____________________________ [SEAL]
Name: __________________________
Title: __________________________

By: ____________________________ [SEAL]
Name: __________________________
Title: __________________________
To and part of Master Lease Agreement dated as of the ___ day of ________________, 2000 (the “Lease”), between THE LEASING COMPANY, its successors and assigns (“Lessor”), and THE MANUFACTURING COMPANY, its successors and permitted assigns (“Lessee”).

A. ADDITIONAL REPRESENTATIONS AND WARRANTIES OF LESSEE FOR SALE-LEASEBACK. Lessee represents and warrants that: (1) The sale of those certain items of equipment specified on the schedule attached to each Equipment Bill of Sale (collectively the “Bill of Sale”) executed by Lessee, and the execution, delivery and performance of the Bill of Sale (a) have been duly authorized by all necessary corporate action on the part of Lessee; (b) do not require the consent of any stockholder, trustee or holders of any indebtedness of Lessee except such as have been duly obtained; and (c) do not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the charter or by-laws of Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage, contract or other agreement to which Lessee is a party or by which it or its property is bound. (2) The Bill of Sale transfers to Lessor valid title to the equipment described on the schedule attached thereto free and clear of any and all encumbrances, liens, charges or defects. No filing or recordation must be made, no notice must be given, and no other action must be taken with respect to any state or local jurisdiction, or any person, in order to preserve to Lessor all the rights transferred by the Bill of Sale.

B. ADDITIONAL AUTHORIZATION. Lessor’s obligations under the Lease are further conditioned upon Lessor having received the Bill of Sale and an opinion of counsel for Lessee as to the matters set forth in paragraph A above.

THE LEASING COMPANY
Lessor

By: __________________________________________ [SEAL]
Name: __________________________________________
Title: __________________________________________

THE MANUFACTURING COMPANY
Lessee

By: __________________________________________ [SEAL]
Name: __________________________________________
Title: __________________________________________
RIDER NO. ___

To and part of Master Lease Agreement dated as of the _____ day of _______________, _________ (the “Lease”) between THE LEASING COMPANY, its successors and assigns (“Lessor”), and THE MANUFACTURING COMPANY, its successors and permitted assigns (“Lessee”).

SPECIAL PURCHASE OPTION. Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, upon the expiration of the _______________ (______) month of the original term of this Lease (the "Early Termination Date"), all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor written notice of its election to purchase at least thirty (30) days and not more than ninety (90) days before the Early Termination Date with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. On the Early Termination Date with respect to each Schedule, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to _______________ (_____) percent of the original Total Invoice Cost of the Equipment (as specified on the Schedule), together with all taxes and charges upon sale. Lessor and Lessee agree that the purchase price represents a reasonable prediction of the Fair Market Value of the Equipment at the time the option is exercisable.

THE LEASING COMPANY
Lessor

By:_________________________________________[SEAL]
Name:________________________________________
Title:________________________________________

THE MANUFACTURING COMPANY
Lessee

By:_________________________________________[SEAL]
Name:________________________________________
Title:________________________________________
RIDERS NO. 1

To and part of Master Lease Agreement dated as of the _____ day of ______________, _______ (the "Lease"), between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its successors and permitted assigns ("Lessee").

A. TERMINAL RENTAL ADJUSTMENT. It is presently anticipated that the fair market value of the Equipment upon the expiration of the original lease term relating thereto will be an amount equal to the Estimated Residual Value of the Equipment specified on the Schedule. Upon expiration of the original lease term, Lessor will attempt to sell the Equipment. If the Net Proceeds of Sale (as hereafter defined) is less than the Estimated Residual Value, promptly upon demand Lessee shall pay to Lessor the amount of the difference. If the Net Proceeds of Sale exceed the Estimated Residual Value, the amount of the difference promptly shall be paid by Lessor to Lessee. If the Equipment has not been sold on the expiration date of the original lease term relating thereto, then the Net Proceeds of Sale shall be deemed to be zero; and promptly upon demand Lessee shall pay to Lessor an amount equal to the Estimated Residual Value of the Equipment. If Lessor thereafter shall sell the Equipment, the Net Proceeds of Sale promptly shall be paid by Lessor to Lessee. Any such payment by either Lessee or Lessor shall be deemed to be a Terminal Rental Adjustment with respect to the Equipment. As used herein, "Net Proceeds of Sale" shall mean the gross selling price actually received by Lessor less all (i) selling expenses incurred by Lessor, (ii) amounts which (if not paid) would constitute a lien on the Equipment for which Lessee is responsible under the Lease, and (iii) applicable sales or other transfer taxes paid by Lessor.

As required by Section 7701(h) of the Internal Revenue Code of 1986, as now or hereafter amended, Lessee shall execute and deliver to Lessor the Certification by Lessee in substantially the form attached hereto as Exhibit No. 1. Lessee acknowledges that the Truth in Mileage Act of 1986 (and the regulations promulgated thereunder) requires the lessee of motor vehicles (at the time such motor vehicles are terminated from the lease) to provide a written disclosure to the lessor regarding the mileage of such motor vehicles. Under this law, the "failure to complete or providing false information may result in fines and/or imprisonment". Therefore, Lessee agrees to provide to Lessor (on a form provided by Lessor) upon termination of a motor vehicle from the Lease the mileage disclosure information required by the Federal regulations.

B. OPTION TO PURCHASE. Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, upon the expiration of the term of this Lease, all but not less than all of the Equipment subject to this Lease upon the following terms and conditions: If Lessee desires to exercise this option it shall, at least two hundred forty (240) days before expiration of the term of this Lease, give Lessor written notice of its intention to exercise this option to purchase and shall engage in negotiations with Lessor to determine the purchase price for the Equipment. Not less than one hundred eighty (180) days before expiration of the term of this Lease, Lessee shall give Lessor written notice of its election to purchase on the terms mutually agreed upon during negotiations. Thereupon, at the expiration of the term of this Lease, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. Lessee's exercise of the purchase option contained herein shall constitute a sale of the Equipment pursuant to Section A above and Lessee shall be responsible for the performance of its obligations pursuant to Section A above.

The purchase price of the Equipment shall be an amount equal to its then Fair Market Value, together with all taxes and charges upon sale. For purposes of this Section, "Fair Market Value" shall be deemed to be an amount equal to the sale price obtainable in an arms' length transaction between a willing and informed buyer and a willing and informed seller under no compulsion to sell (and assuming that, as of the date of determination, the Equipment is in at least the condition required by Section 13 of this Lease and any Rider to the Lease setting forth additional return conditions). If the parties are unable to agree on the Fair Market Value of the Equipment, then Lessor and Lessee shall at Lessee's expense obtain appraisal values from three independent appraisers (one to be selected by Lessor, one by Lessee, and the other by the two selected by Lessor and Lessee; each of whom must be associated with a professional organization of equipment or personal property appraisers, such as the American Society of Appraisers) and the average Fair Market Value as determined by such appraisers shall be binding on the parties hereto.

Notwithstanding any election of Lessee to purchase, the provisions of this Lease shall continue in full force and effect until the passage of ownership of the Equipment upon the date of purchase. On the date of purchase, Lessor shall deliver to Lessee a bill of sale transferring and assigning to Lessee, without recourse or warranty, except (with respect to the status of title conveyed) in respect of Lessor's acts, all of Lessor's right, title and interest in and to the Equipment. Lessor
shall not be required to make and may specifically disclaim any representation or warranty as to the condition of the Equipment or any other matters.

THE LEASING COMPANY
Lessor

By: __________________________ [SEAL]
Name: _________________________
Title: __________________________

THE MANUFACTURING COMPANY
Lessee

By: __________________________ [SEAL]
Name: _________________________
Title: __________________________
EXHIBIT NO. 1
CERTIFICATION BY LESSEE

This Certification is provided by the undersigned ("Lessee") in connection with that certain Master Lease Agreement dated as of _____________, _______ (the "Lease"), with THE LEASING COMPANY. The parties intend and agree that the Lease constitute a "qualified motor vehicle operating agreement" within the meaning of Section 7701(h) of the Internal Revenue Code of 1986, as now or hereafter amended, and this Certification is required to be provided pursuant to that Section.

Lessee hereby certifies, under penalty of perjury, that it intends that more than fifty (50) percent of the use of the Equipment (as such term is defined in the Lease) is to be in a trade or business of the Lessee.

Lessee acknowledges that it has been advised that it will not be treated as the owner of the Equipment for Federal income tax purposes.

IN WITNESS WHEREOF, Lessee has caused this Certification to be duly executed, under seal, as of the _____day of _________________, _______.

THE MANUFACTURING COMPANY
Lessee

By:_________________________________________[SEAL]
Name:_________________________________________
Title:_________________________________________
THE LEASING COMPANY

RIDER NO. ___

To and part of Master Lease Agreement dated as of the ___ day of _______________, __________ (the "Lease") between THE LEASING COMPANY, its successors and assigns ("Lessor"), and ____________________________________________________________, its successors and permitted assigns ("Lessee").

ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS.

1. As used herein, the following terms shall have the following meaning:

   (a) "Adverse Environmental Condition": shall mean (i) the existence or the continuation of the existence, of an Environmental Contamination (including, without limitation, a sudden or non-sudden accidental or non-accidental Environmental Contamination), of, or exposure to, any substance, chemical, material, pollutant, Hazardous Substance, odor or audible noise or other release or emission in, into or onto the environment (including without limitation, the air, ground, water or any surface) at, in, by, from or related to any Equipment, (ii) the environmental aspect of the transportation, storage, treatment or disposal of materials in connection with the operation of any Equipment, or (iii) the violation, or alleged violation, of any Environmental Law, permits or licenses of, by or from any governmental authority, agency or court relating to environmental matters connected with any of the Equipment.

   (b) "Affiliate" shall mean, with respect to any given Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person.

   (c) "Environmental Claim" shall mean any accusation, allegation, notice of violation, claim, demand, abatement or other order or direction (conditional or otherwise) by any governmental authority or any Person for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment or other adverse affects on the environment, or for fines, penalties or restrictions, resulting from or based upon any Adverse Environmental Condition.

   (d) "Environmental Contamination" shall mean any actual or threatened release, spill, emission, leaking, pumping, injection, presence, deposit, abandonment, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, or into or out of any of the Equipment, including, without limitation, the movement of any Hazardous Substance or other substance through or in the air, soil, surface water, groundwater or property.

   (e) "Environmental Law" shall mean any present or future federal, foreign, state or local law, ordinance, order, rule or regulation and all judicial, administrative and regulatory decrees, judgments and orders, pertaining to health, industrial hygiene, the use, disposal or transportation of Hazardous Substances, Environmental Contamination, or pertaining to the protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") (42 U.S.C. §9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. §1801 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.), the Clean Air Act (42 U.S.C. §7401 et seq.), the Toxic Substances Control Act (15 U.S.C. §2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §1361 et seq.), the Occupational Safety and Health Act (19 U.S.C. §651 et seq.), the Noise Control Act of 1972 (42 U.S.C. §4901 et seq.), and the Hazardous and Solid Waste Amendments (42 U.S.C. §2601 et seq.), as these laws have been or may be amended or supplemented, and any successor thereto, and any analogous foreign, state or local statutes, and the rules, regulations and orders promulgated pursuant thereto.

   (f) "Environmental Loss" shall mean any loss, cost, damage, liability, deficiency, fine, penalty or expense (including, without limitation, reasonable attorneys' fees, engineering and other professional or expert fees), investigation,
removal, cleanup and remedial costs (voluntarily or involuntarily incurred) and damages to, loss of the use of or
decrease in value of the Equipment arising out of or related to any Adverse Environmental Condition.

(g) "Hazardous Substances" shall mean and include hazardous substances as defined in CERCLA; oil of any kind,
petroleum products and their by-products, including, but not limited to, sludge or residue; asbestos containing
materials; polychlorinated biphenyls; any and all other hazardous or toxic substances; hazardous waste, as
defined in CERCLA; medical waste; infectious waste; those substances listed in the United States Department of
Transportation Table (49 C.F.R. §172.101); explosives; radioactive materials; and all other pollutants,
contaminants and other substances regulated or controlled by the Environmental Laws and any other substance
that requires special handling in its collection, storage, treatment or disposal under the Environmental Laws.

(h) "Person" shall mean any individual, partnership, corporation, trust, unincorporated organization, government or
department or agency thereof and any other entity

2. Lessee hereby represents, warrants and covenants that: (a) it has conducted, and will continue to conduct, its
business operations, and throughout the term of the Lease will use the Equipment, so as to comply with all
Environmental Laws; (b) as of the date hereof, and as of the date of execution of each Schedule, except as have been
previously disclosed in writing by Lessee to Lessor, there are no Hazardous Substances generated, treated, handled,
stored, transported, discharged, emitted, released or otherwise disposed of in connection with Lessee's use of the
Equipment; and (c) Lessee has, and throughout the term of the Lease will continue to have, in full force and effect all
Federal, state and local licenses, permits, orders and approvals required to operate the Equipment in compliance with
all Environmental Laws.

3. Lessee agrees that if required to return the Equipment or any item thereof to Lessor or Lessor's agents, Lessee shall
return such Equipment free from all Hazardous Substances and otherwise fully in compliance with all Environmental
Laws.

4. Lessee shall fully and promptly pay, perform, discharge, defend, indemnify and hold harmless Lessor and its Affiliates,
and their successors and assigns, directors, officers, employees and agents, from and against any Environmental
Claim or Environmental Loss.

5. The provisions of this Rider shall survive any expiration or termination of the Lease.

THE LEASING COMPANY
Lessor

Lessee

By: [SEAL]
Name: __________________________
Title: __________________________

By: [SEAL]
Name: __________________________
Title: __________________________
SCHEDULE OF TERMINATION VALUES

INCORPORATED IN AND MADE A PART OF EQUIPMENT SCHEDULE NO. _____ TO MASTER LEASE AGREEMENT DATED AS OF ____________, __________, BETWEEN THE LEASING COMPANY ("LESSOR") AND THE MANUFACTURING COMPANY ("LESSEE").

<table>
<thead>
<tr>
<th>Rental Payment Number</th>
<th>Percent of Equipment Cost</th>
<th>Rental Payment Number</th>
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</tr>
</thead>
</table>

THE LEASING COMPANY
Lessor

By: ___________________________ [SEAL]
Name: __________________________
Title: __________________________

THE MANUFACTURING COMPANY
Lessee

By: ___________________________ [SEAL]
Name: __________________________
Title: __________________________
ATTACHMENT TO FORM UCC-1

1. LESSOR:  THE LEASING COMPANY

LESSEE:  THE MANUFACTURING COMPANY

2. DESCRIPTION OF PROPERTY:

The __________________ equipment leased pursuant to that Schedule No. ___ dated as of ________________, ______________, executed pursuant to that certain Master Lease Agreement dated as of _________________, ______________, each between Lessor, as lessor, and Lessee, as lessee, together with all related software (embedded therein or otherwise) and general intangibles, all additions, attachments, accessories and accessions thereto whether or not furnished by the supplier thereof; all subleases, chattel paper, accounts, security deposits and general intangibles relating thereto, and any and all substitutions, replacements or exchanges for any such item of equipment or other collateral, in each such case in which Lessee shall from time to time acquire an interest; and any and all insurance and/or other proceeds thereof.

3. THIS FILING IS MADE FOR INFORMATIONAL PURPOSES ONLY AND IS INTENDED TO REPRESENT A TRUE LEASE.

4. THE EQUIPMENT LEASED PURSUANT TO THE LEASE WAS PURCHASED BY LESSOR FROM LESSEE, AS PART OF A SALE-LEASEBACK TRANSACTION.]
ACQUISITION OF EQUIPMENT

Ordering

- Purchase Order Assignment and Novation

or

- Agency

  - Agency Rider to Lease

  or

  - Agency Agreement

    - Lessee pays the Vendor and is reimbursed

    or

    - Lessor pays the Vendor

Interim Financing

- Interim Financing Agreement with Interim Promissory Note

and

- UCC Attachment (interim financing)
TRUE LEASE

Master Lease Agreement (TL)

Real Property Waiver (unless motor vehicles)

UCC Attachment (unless sale-leaseback)

Opinion (Lessee)
- Corporation (unless sale-leaseback)
- Limited Liability Company (unless sale-leaseback)

Certificate of Resolutions (Lessee)
- Corporation (unless sale-leaseback)
- Limited Liability Company (unless sale-leaseback)

Tax Indemnification Rider to Lease
- Full Blown Indemnification
- Acts and Omissions of Lessee

Tax Contest Rider to Lease

Return Conditions Rider to Equipment Schedule

End of Term Position
- Standard Option Riders to Equipment Schedule
- Early Buy Out Rider to Equipment Schedule
- First Amendment Rider to Equipment Schedule
  - Mandatory
  - Optional
- TRAC Rider to Equipment Schedule
  - Full
  - Split
SALE-LEASEBACK

Bill of Sale

True Lease (from Lessee)
or
Lease Intended for Security

UCC Attachment (S/L)

True Lease
or
Lease Intended for Security

Certificate of Resolutions (Lessee) (S/L)

Corporation
or
Limited Liability Company

Opinion (Lessee) (S/L)

Corporation
or
Limited Liability Company

Sale-Leaseback Rider to Equipment Schedule
LEASE INTENDED FOR SECURITY

Master Lease Agreement (LFS)

Real Property Waiver (unless motor vehicles)

UCC Attachment (unless sale-leaseback)

Opinion (Lessee)
  Corporation (unless sale-leaseback)
  Limited Liability Company (unless sale-leaseback)

Certificate of Resolutions (Lessee)
  Corporation (unless sale-leaseback)
  Limited Liability Company (unless sale-leaseback)

Termination Rental Premium Rider to Equipment Schedule
EQUIPMENT SCHEDULES

Equipment Schedule (for use with standard Interim Term)

- True Lease
- Standard
- or
- First Amendment
- or
- Lease Intended for Security

Extended Interim Term

- Interim Equipment Schedule for use with extended Interim Term
- and
- Final Equipment Schedule for use after an extended Interim Term

Schedule of Equipment (to be attached to the Equipment Schedule)

Schedule of Stipulated Loss Values (to be attached to the Equipment Schedule)
SPECIAL FEATURES

Environmental Indemnity Rider to Lease

Substitution Option Rider to Equipment Schedule

Economic Obsolescence Termination Option

- Economic Obsolescence Rider to Lease and
- Schedule of Termination Values (attached to Equipment Schedule)

Sublease

- Sublease Rider to Equipment Schedule
  - Standard with Exhibit A – Form of Sublease Agreement or
  - When Lessee is in the business of renting the Equipment

- UCC Attachment
  - Standard or
  - When Lessee is in the business of renting the Equipment

Multiple Lessees Rider to Lease
GUARANTOR

Master Lease Guaranty

- Corporation/Limited Liability Company
  or
- Individual

Certificate of Resolutions (Guarantor)

- Corporation
  or
- Limited Liability Company

Opinion (Guarantor)

- Corporation
  or
- Limited Liability Company
  or
- Individual

Guarantor Rider to Lease
RIDER NO. ___

To and part of Master Lease Agreement dated as of the ______ day of ______________, _____ (the "Lease"), between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its successors and permitted assigns ("Lessee").

TAX INDEMNITY.

(1) Lessee represents and warrants that: (a) it believes that it is reasonable to estimate that the useful life of the Equipment exceeds the lease term (including any interim and fixed rental renewal periods) by the greater of one (1) year or twenty (20) percent of such estimated useful life, and that said Equipment will have a value at the end of the lease term, including any fixed rate renewal period, of at least twenty (20) percent of the Total Invoice Cost of the Equipment, without including in such value any increase or decrease for inflation or deflation during the original lease term; and (b) the Equipment is, and will be used by Lessee so as to remain, property eligible for the MACRS Deductions (as defined below).

(2) If (a) Lessor in computing its taxable income or liability for tax, shall lose, or shall not have, or shall lose the right to claim or there shall be disallowed or recaptured for Federal and/or state income tax purposes, in whole or in part, the benefit of MACRS Deductions; or (b) Lessor shall become liable for additional tax as a result of Lessee having added an attachment or made an alteration to the Equipment, including (without limitation) any such attachment or alteration which would increase the productivity or capability of the Equipment so as to violate the provisions of Rev. Proc. 2001-28, 2001-1 C.B. 1156 (as it may hereafter be modified or superseded); or (c) the statutory full-year marginal Federal tax rate (including any surcharge) for corporations is other than thirty-five (35) percent; hereinafter referred to as a "Loss"; then Lessee shall pay Lessor the Tax Indemnification Payment as additional rent and Lessor shall revise the Schedule(s) of Stipulated Loss Values to reflect the Loss. As used herein, "MACRS Deductions" shall mean the deductions under Section 167 of the Internal Revenue Code of 1986, as now or hereafter amended (the "Code"), determined in accordance with the modified Accelerated Cost Recovery System with respect to the Total Invoice Cost of any item of the Equipment using the accelerated method set forth in Section 168(b)(1) or 168(b)(2) of the Code as in effect on the date of this Lease for property assigned to the class of property specified in the Schedule pertaining thereto; "Lessor" shall be deemed to include the consolidated Federal taxpayer group of which Lessor is a member; and "Tax Indemnification Payment" shall mean such amount as, after consideration of (i) all taxes required to be paid by Lessor in respect of the receipt thereof under the laws of any governmental or taxing authority in the United States, and (ii) the amount of any interest or penalty which may be payable by Lessor in connection with the Loss, shall be required to cause Lessor's after-tax net return (the "Net Return") to be equal to, but no greater than, the Net Return computed consistently with current tax laws (and with the assumption that Lessor is taxed at the highest marginal Federal and state tax rates) as of the date of this Lease that would have been available to Lessor had the Loss not occurred.

(3) Lessor shall be responsible for, and shall not be entitled to a Tax Indemnification Payment by Lessee on account of, any Loss arising solely as a direct result of the occurrence of any one or more of the following events: (a) the failure of Lessor to timely and properly claim MACRS Deductions in the tax return of Lessor other than as a result of changes in the Code or applicable regulations unless in the reasonable opinion of Lessor's tax counsel there is no basis for such claim; or (b) the failure of Lessor to have sufficient taxable income before application of the MACRS Deductions to offset the full amount of such MACRS Deductions other than as a result of changes in the Code or applicable regulations; or (c) any event which by the terms of the Lease requires payment by Lessee of the Stipulated Loss Value if such payment is thereafter actually made to Lessor, to the extent that such payment reimburses Lessor for amounts otherwise payable by Lessee pursuant hereto; or (d) a disqualifying disposition due to sale of any item of the Equipment or the Lease by Lessor prior to a Default.

(4) Lessor promptly shall notify Lessee in writing of such Loss and Lessee shall pay to Lessor the Tax Indemnification Payment within thirty (30) days of such notice. For these purposes, a Loss shall occur upon the earliest of: (a) the happening of any event (such as disposition or change in use of any item of the Equipment) which will cause such Loss, (b) the payment by Lessor to the Internal Revenue Service or state taxing authority of the tax increase (including an increase in estimated taxes) resulting from such Loss; (c) the date on which the Loss is realized by Lessor; or (d) the adjustment of the tax return of Lessor to reflect such Loss.
(5) The obligations of Lessee under this Rider, which accrue during the term of the Lease, shall survive the expiration or termination of the Lease.

THE LEASING COMPANY
Lessor

By: ___________________________ [SEAL]
Name: ___________________________
Title: ___________________________

THE MANUFACTURING COMPANY
Lessee

By: ___________________________ [SEAL]
Name: ___________________________
Title: ___________________________
SCHEDULE OF STIPULATED LOSS VALUES

INCORPORATED IN AND MADE A PART OF EQUIPMENT SCHEDULE NO. _____ TO MASTER LEASE AGREEMENT DATED AS OF ________________, ________, BETWEEN THE LEASING COMPANY ("LESSOR") AND THE MANUFACTURING COMPANY ("LESSEE").

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THE LEASING COMPANY
Lessor

By: [SEAL]
Name: ________________________________
Title: ________________________________

THE MANUFACTURING COMPANY
Lessee

By: [SEAL]
Name: ________________________________
Title: ________________________________
BASIC LEASING ISSUES: TRANSACTIONAL APPLICATIONS

Issue Spotting regarding the Master Lease Agreement

Douglas A. Beimfohr
Partner
Windels Marx Lane & Mittendorf, LLP
120 Albany Street Plaza
New Brunswick, New Jersey 08901

(t) (732) 448-2524
(f) (732) 843-3189
dbeimfohr@windelsmarx.com
Issues Spotting regarding the Master Lease Agreement

A. **Section 3(f) – GAAP**. [As in effect from time to time] vs. [consistently applied]

Financial statements usually are prepared in accordance with GAAP, although some business entities do not use GAAP for financial reporting. In those cases, an alternative reference should be used.

If the first bracketed alternative is used, financial statements will have to be prepared in accordance with the version of GAAP that is current when the statements are prepared. If any accounting principles have changed, direct comparisons of financial statements prepared using different principles may be difficult, and the application of financial covenants may be different from the results initially contemplated by the lessor/lender.

If the second bracketed alternative is used, the lessee/borrower must continue to use the same GAAP rules that applied when the lease/credit agreement was signed. This rule provides a uniform standard for compliance with financial covenants and facilitates direct comparisons among financial statements over several years. However, the lessee/borrower may have to prepare two sets of financial statements: one in accordance with current GAAP for filings that require it and the second in accordance with the old GAAP for the lessor/lender.

B. **Section 3(g)**. “With respect to any Collateral, Lessee has good title to, right in, and/or power to transfer all of the same”. Rev. UCC 9-203(b)(2) – Attachment of Lessor’s Interest.

Why should a Lessee represent as to this in a true lease? If it is recharacterized as a lease intended as security, then by definition shouldn’t debtor have rights in the collateral and accordingly lessor’s/lender’s interest should have attached because it is enforceable against the debtor.
C. Section 8(h) – Lessor Warranty of Quiet Enjoyment. May want to have clause read that “[l]essor warrants that during the term of each Schedule, so long as no Event of Default has occurred and Lessor continues to receive all Rent hereunder ....”. This will make sure that the Lessor has the right to disturb Lessee’s quiet enjoyment of the leased property if for any reason it is not getting paid in accordance with the applicable lease provision. The additional language is designed to allow the Lessor to act in this regard even if the Lessee is paying rent (and therefore arguably no default has occurred) but such payments are being made to an escrow agent or other holder of funds.

D. Section 8 – last sentence. “Any actual or purported breach of this warranty shall not give rise to any Abatement, but Lessee may bring a direct cause of action against Lessor for actual damages directly resulting from any such breach.” Some lessees may object to this language. The argument in their favor is that the only real obligation a finance lessor (or any of its assignees) has to observe is its covenant of quiet enjoyment and that any disruption of lessee’s uninterrupted use and enjoyment of the Equipment during the term of any Schedule, while there are no Events of Default and lessor is continuing to receive all Rent, should allow the lessee to stop paying on a hell-or-high water basis.

E. Section 13(b) – Liens. Rather than a covenant that the lessee shall keep the Equipment free and clear of all liens during the term, many lessees may have senior secured credit facilities already in place (whose lien holders would have prior liens in the absence of a subordination/intercreditor agreement) or may want exceptions for ordinary course liens subject to certain limitations. The definitions which follow are representative of what often gets negotiated in this regard.
“Lease Back-up Security Interest” shall have the meaning given such term in the Subordination Agreement.

“Lessor’s Lien” shall mean any Lien affecting the Equipment or any part thereof arising as a result of (i) Lessor’s rights under or pursuant to this Agreement; (ii) any claim arising from any transfer by Lessor of an interest in the Equipment or this Agreement; (iii) any claim against Lessor not related to the transactions contemplated by this Agreement; (iv) any act or omission of Lessor not expressly contemplated by this Agreement or not permitted without consent (which consent has not been granted) by Lessee or that is in violation of any term of this Agreement or not taken as a result of the occurrence and continuance of a Default as permitted by this Agreement; or (v) taxes imposed against Lessor or the consolidated group of taxpayers of which it is a member which are not to be indemnified against by Lessee under this Agreement; provided, however, that there shall be excluded from this definition and no Lessor’s Lien shall exist if such Lien is being diligently contested in good faith so long as neither such proceedings nor Lien involves a material danger of the sale, forfeiture or loss of the Equipment or adversely affects Lessee’s rights under this Agreement.

“Lien” shall mean any mortgage, chattel mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest, lease in the nature of a security interest, statutory right in rem, or claim of any kind, including any thereof arising under any conditional sale agreement, equipment trust agreement or title retention agreement.

“Permitted Lien” shall mean (i) the rights of Lessor and Lessee as herein provided, (ii) Lessor’s Liens, (iii) Liens for taxes either not yet due or being diligently contested in good faith by appropriate proceedings and so long as adequate reserves are maintained with respect to such Liens and available to Lessee for the payment of such taxes and only so long as neither such
proceedings nor such Liens involve any material danger of sale, forfeiture, loss or loss of use of
the Equipment or any part thereof, or any interest of Lessor therein or any risk of criminal
liability of Lessor, and Lessee has given Lessor prior written notice of Lessee’s intent to contest
any such taxes and Lessee has agreed to indemnify Lessor for any and all costs and expenses
(including, without limitation, reasonable attorneys’ fees) which Lessor may incur as a result of
such contest, (iv) inchoate materialmen’s, mechanics’, carriers’, workmen’s, repairmen’s or
other like inchoate Liens arising in the ordinary course of Lessee’s business for sums either not
delinquent or being diligently contested in good faith and only so long as neither such
proceedings nor any such Liens involve any material danger of the sale, forfeiture, loss or loss of
use of the Equipment or any part thereof, or any interest of Lessor therein or any material risk of
material civil liability and further provided that adequate reserves are maintained with respect to
such Liens and provided that Lessee promptly gives Lessor written notice thereof, (v) the rights
of others under agreements or arrangements to the extent expressly permitted under this
Agreement, (vi) Liens arising out of any judgment or award against Lessee with respect to which
at the time an appeal or proceeding for review is being prosecuted in good faith by appropriate
proceedings diligently conducted and with respect to which there shall have been secured a stay
of execution pending such appeal or proceeding for review and so long as adequate reserves are
available to the Lessee for the payment of such obligations and there is no material danger of
sale, forfeiture, loss or loss of use of the Equipment or material risk of material civil liability and
Lessee shall have given Lessor written notice thereof, (vii) any Lien against which the Lessee
causes to be provided a bond in such amount and under such terms and conditions as are
reasonably satisfactory to Lessor and (viii) any Lien which is expressly subordinated to the Lease
Back-up Security Interest pursuant to the Subordination Agreement.

[40131396:1]
“Special Lien” shall mean (i) the rights of Lessor and Lessee as herein provided, (ii) Lessor’s Liens, (iii) Liens for taxes not yet due, (iv) inchoate materialmen’s, mechanics’, carriers’, workmen’s, repairmen’s or other like inchoate Liens arising in the ordinary course of Lessee’s business for sums not delinquent, (v) the rights of others under agreements or arrangements to the extent expressly permitted under this Agreement and (vi) any Lien which is expressly subordinated to the Lease Back-up Security Interest pursuant to the Subordination Agreement.

“Subordination Agreement” shall mean each Subordination and Intercreditor Agreement executed by ____________________________, as Borrower Collateral Agent for the Benefited Parties under the Intercreditor Agreement, and Lessor, from time to time during the Term.

F. Section 17(b) – Blind Assignments. “Lessor may at any time with or without notice to Lessee grant a security interest in, sell, assign, delegate or otherwise transfer ….”.

[Assignment of all of Lessor’s rights, but none of Lessor’s obligations] vs [outright assignments]. Brings up question of who is lessor, lender, servicer, etc.
BASIC LEASING ISSUES: TRANSACTIONAL APPLICATIONS

Issue Spotting regarding the Master Lease Agreement

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Issues Spotting regarding the Master Lease Agreement

A. Section 3(f) – GAAP. [As in effect from time to time] vs. [consistently applied]

Financial statements usually are prepared in accordance with GAAP, although some business entities do not use GAAP for financial reporting. In those cases, an alternative reference should be used.

If the first bracketed alternative is used, financial statements will have to be prepared in accordance with the version of GAAP that is current when the statements are prepared. If any accounting principles have changed, direct comparisons of financial statements prepared using different principles may be difficult, and the application of financial covenants may be different from the results initially contemplated by the lessor/lender.

If the second bracketed alternative is used, the lessee/borrower must continue to use the same GAAP rules that applied when the lease/credit agreement was signed. This rule provides a uniform standard for compliance with financial covenants and facilitates direct comparisons among financial statements over several years. However, the lessee/borrower may have to prepare two sets of financial statements: one in accordance with current GAAP for filings that require it and the second in accordance with the old GAAP for the lessor/lender.

B. Section 3(g). “With respect to any Collateral, Lessee has good title to, right in, and/or power to transfer all of the same”. Rev. UCC 9-203(b)(2) – Attachment of Lessor’s Interest.

Why should a Lessee represent as to this in a true lease? If it is recharacterized as a lease intended as security, then by definition shouldn’t debtor have rights in the collateral and accordingly lessor’s/lender’s interest should have attached because it is enforceable against the debtor.
C. Section 8(h) – Lessor Warranty of Quiet Enjoyment. May want to have clause read that “[l]essor warrants that during the term of each Schedule, so long as no Event of Default has occurred and Lessor continues to receive all Rent hereunder ....”. This will make sure that the Lessor has the right to disturb Lessee’s quiet enjoyment of the leased property if for any reason it is not getting paid in accordance with the applicable lease provision. The additional language is designed to allow the Lessor to act in this regard even if the Lessee is paying rent (and therefore arguably no default has occurred) but such payments are being made to an escrow agent or other holder of funds.

D. Section 8 – last sentence. “Any actual or purported breach of this warranty shall not give rise to any Abatement, but Lessee may bring a direct cause of action against Lessor for actual damages directly resulting from any such breach.” Some lessees may object to this language. The argument in their favor is that the only real obligation a finance lessor (or any of its assignees) has to observe is its covenant of quiet enjoyment and that any disruption of lessee’s uninterrupted use and enjoyment of the Equipment during the term of any Schedule, while there are no Events of Default and lessor is continuing to receive all Rent, should allow the lessee to stop paying on a hell-or-high water basis.

E. Section 13(b) – Liens. Rather than a covenant that the lessee shall keep the Equipment free and clear of all liens during the term, many lessees may have senior secured credit facilities already in place (whose lien holders would have prior liens in the absence of a subordination/intercreditor agreement) or may want exceptions for ordinary course liens subject to certain limitations. The definitions which follow are representative of what often gets negotiated in this regard.
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“Lien” shall mean any mortgage, chattel mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest, lease in the nature of a security interest, statutory right in rem, or claim of any kind, including any thereof arising under any conditional sale agreement, equipment trust agreement or title retention agreement.

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proceedings nor such Liens involve any material danger of sale, forfeiture, loss or loss of use of the Equipment or any part thereof, or any interest of Lessor therein or any risk of criminal liability of Lessor, and Lessee has given Lessor prior written notice of Lessee’s intent to contest any such taxes and Lessee has agreed to indemnify Lessor for any and all costs and expenses (including, without limitation, reasonable attorneys’ fees) which Lessor may incur as a result of such contest, (iv) inchoate materialmen’s, mechanics’, carriers’, workmen’s, repairmen’s or other like inchoate Liens arising in the ordinary course of Lessee’s business for sums either not delinquent or being diligently contested in good faith and only so long as neither such proceedings nor any such Liens involve any material danger of the sale, forfeiture, loss or loss of use of the Equipment or any part thereof, or any interest of Lessor therein or any material risk of material civil liability and further provided that adequate reserves are maintained with respect to such Liens and provided that Lessee promptly gives Lessor written notice thereof, (v) the rights of others under agreements or arrangements to the extent expressly permitted under this Agreement, (vi) Liens arising out of any judgment or award against Lessee with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith by appropriate proceedings diligently conducted and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review and so long as adequate reserves are available to the Lessee for the payment of such obligations and there is no material danger of sale, forfeiture, loss or loss of use of the Equipment or material risk of material civil liability and Lessee shall have given Lessor written notice thereof, (vii) any Lien against which the Lessee causes to be provided a bond in such amount and under such terms and conditions as are reasonably satisfactory to Lessor and (viii) any Lien which is expressly subordinated to the Lease Back-up Security Interest pursuant to the Subordination Agreement.
“Special Lien” shall mean (i) the rights of Lessor and Lessee as herein provided, (ii) Lessor’s Liens, (iii) Liens for taxes not yet due, (iv) inchoate materialmen’s, mechanics’, carriers’, workmen’s, repairmen’s or other like inchoate Liens arising in the ordinary course of Lessee’s business for sums not delinquent, (v) the rights of others under agreements or arrangements to the extent expressly permitted under this Agreement and (vi) any Lien which is expressly subordinated to the Lease Back-up Security Interest pursuant to the Subordination Agreement.

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The Ritz Carlton Hotel
New Orleans, Louisiana

BASIC LEASING ISSUES: TRANSACTIONAL APPLICATIONS

Getting Started

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ISSUE SPOTTING IN CONNECTION WITH DOCUMENT PREPARATION.

a. Client Issues. Determine decision-making team, process and other fundamental considerations. Address basic client dynamics up front, such as:

i. Nature of the client/lessor? Outside counsel will need to familiarize themselves with the client and their approach to these transactions. That approach might be affected by the nature of the client/lessor. The documents and issues considered might differ depending upon whether the lessor is bank-related, an independent finance company, a broker or a vendor. The client’s market experience (e.g., considering the size of the transaction, transaction structure, customer type, equipment type, foreign legal and other deal dynamics peculiar to that client) could affect the role of counsel in the transaction. If the client is not a domestic entity, there may be a number of regulatory and tax considerations. If outside counsel is involved, be sure a conflict search is done immediately after the first call to avoid surprises and delays.

ii. Timing? What is the timing for each important step, from first drafts through anticipated closing? A preliminary and conservative timeline should be established, and confirmed in writing if practical. Don’t overpromise.

iii. Who controls the documents? Try to establish and keep control of documents. The drafter has a strategic advantage. By starting with the client’s forms, and making any negotiated revision, you will improve the time and cost efficiency of the process. Also, when forced to review and comment on an unfamiliar or lessee-favorable form, there is a greater likelihood that the lessor will be forced to make many more concessions, merely by limiting the volume of comments to the drafts. There is also the risk that lessor’s counsel might not notice document inadequacies such as hidden or inconsistent provisions (e.g., one or more provisions that read, “Notwithstanding any provision of this Lease to the contrary…”). If not the drafter, it is better to suggest text inserts by making your revisions to an electronic copy, and not just marking a hard copy with conceptual comments, to be sure that the point raised is adequately addressed in any re-draft. Costs may be a consideration, and the allocation of these costs should be considered and addressed in the documents.

iv. Who is client “point person”? Who has the last word and/or gets copied on emails and correspondence? Have the client contact (or if in-house, whomever is the source of the new matter) pick a “point person” as the source of information, especially as to any decisions to be made. If
outside counsel is involved, and if dealing with a new client, have the client explain how decisions are made within their organization, and whether there are issues that they consider “hot points.” If outside counsel involved, In-house counsel should be kept in the loop (e.g., copy on drafts, correspondence, memos, etc.), unless they instruct otherwise. Most importantly, in-house and outside counsel should agree that if outside counsel has any concerns about a position being taken by the client contact that does not appear to have involved in-house review, outside counsel should consult with in-house. A working group contact list should be prepared for all contacts participating in the transaction.

v. How will responsibilities be allocated? After considering the administrative capabilities of client, counsel should determine the most practical and time/cost efficient allocation of documentation, due diligence and closing responsibilities. For example, the client can order and review lien searches and good standing certificates, review insurance certificates, incumbency certificates, equipment lists and other closing items, prepare UCCs and prepare closing binders.

vi. What are the deal impediments? Are there any conditions, tasks, or events that could have an impact on the timing or consummation of the funding (e.g., credit approval, appraisal, inspection, accountant review, regulatory approval, unavailability of signatories or decision-makers, movement of benchmark rates, third party deliverables, etc.)?

vii. Outside counsel fees. Regarding outside counsel, determine any fee issues, limits, billing methods, etc. If asked to engage local counsel, be sure that the choice of firm and any fee and/or conflict issues are addressed with in-house counsel.

b. Terms and Conditions. The framework of the parties’ respective business expectations is often documented prior to the preparation of the formal financing documents. Prepare, or, if already prepared, review the most recent proposal or commitment letter or other term sheet. If already prepared, consider who took part in the preparation and/or negotiation of the “term sheet”. If the term sheet was prepared without input from an important decision maker (e.g., credit, asset management, in-house counsel, tax specialist, etc.), it might not be reliable without their input. Also, be sure to obtain and review any credit approval or (if not yet approved) submittal. If not already prepared, use credit approval or submittal to prepare the term sheet, but have client confirm that it has not been modified. Speak with client contact(s) about client “hot points” or practices and/or lessee flexibility issues not obvious from the credit documents or any proposal. If sending out drafts to the lessee prior to client’s having “credit approved” the transaction, be sure to make it clear to the lessee that distribution of the drafts is not evidence of the client’s having committed to enter into the lease.

c. Structure. Should be addressed, at least in some respects, in any term sheet.
i. **Who is the Credit?** Consider who is perceived to be the “credit” (i.e., the most creditworthy obligor in the transaction) in the transaction. Is it the lessee, a guarantor, the user or other third party? Does structure support enforceability against that credit? How is each obligor organized or formed (authority, etc.)? Any individual obligors (consumer law, etc.)?

ii. **Credit or Collateral Deal?**. Is it a “credit” deal or a “collateral” deal (from the point of view of the client’s credit committee)? This view of the transaction could have an impact on many provisions, especially those that afford the lessee some asset flexibility, or are in the nature of credit-default triggers.

iii. **What is Being Leased?** Is it susceptible to being leased within the intended structure and under the client’s standard forms? Does the client need internal or external (governmental, etc.) approval to purchase and lease this property (e.g., a lease involving real estate by a bank-owned leasing company)? Is it specialized, so that other legal expertise is needed? What is being financed (if other than just the purchase price of the equipment)? Specialized maintenance and return provisions required? What are the remarketing expectations and will there be any vendor support? Will these expectations and price be supported by an inspection and/or appraisal?

iv. **Income Tax Intentions?** Is the transaction intended to be a “tax” lease (i.e., lessor receives MACRS depreciation benefits)? If so, what is the intended depreciation schedule (determined by equipment class), and will these benefits be accelerated by “bonus” depreciation (consistent with circumstances of purchase)? Does the location of each obligor, any user and/or the equipment have any impact (e.g., contemplated predominant use in the US and/or foreign tax credit issues)? Consider lessee (e.g., is it tax exempt?). Will the indemnity be “full blown” or “acts or omissions”?

v. **Accounting Intentions?** Does the lessee intend that the equipment be on or off balance sheet? Has the lessee’s accounting firm approved the structure as detailed in the proposal?

vi. **Implicit Rate Benchmark?** Is there a clear methodology for determining the rate to be used and other formula components to calculate the rents, casualty values and option amounts? What is the rate benchmark (e.g., “T” bills, LIBOR, etc.). Is it fixed or floating, and if floating, what is the adjustment mechanism? Is there a premium or make whole to be paid if there is an acceleration of the payments?

vii. **Credit Support?** Is there “collateral” (besides the equipment – e.g., spare parts, deposits, etc.) or other credit support (e.g., guaranties, vendor support or letters of credit)? If guaranty or other credit support, have the parties considered any pertinent consideration, fraudulent conveyance, bankruptcy, suretyship and/or consumer law issues? Are there any
viii. **What are Lessee’s Options?** Does lessee have the right to purchase or terminate prior to lease expiration? Does lessee have the right to renew the lease or purchase or return the equipment at lease expiration? How are these amounts calculated and, if fixed, are they supported by an appraisal (especially if a tax deal)? Is all or part of the residual risk after return allocated to lessee (a TRAC or synthetic lease)? Are these options, allocation of residual risk and return conditions consistent with the intended structure (commercial, tax and accounting intentions)? Are the options to be exercised with respect to “all, but not less than all,” of the equipment leased under (A) all of the equipment schedules entered into pursuant to the master lease, (B) a single equipment schedule or (C) all equipment schedules then owned by a particular lessor (i.e., after syndication of less than all of the schedules)? What are the advance notice requirements for electing and/or committing to the options? Are the notices revocable? How does the client define fair market sales and/or rental value, what is the appraisal process to be used if the lessee disputes lessor’s calculation, and how is the cost of the appraisal process allocated? Are there specialized return conditions based on asset type and/or structure? Do they require payment of a return fee? If not complied with, is lessee required to pay some formula-based compensation (e.g., holdover rent, overuse or damage history charges, etc.). Do the return conditions require input from specialists? Will there be any reliance on the vendor for support or other cooperation (e.g., assignment of maintenance agreement, including any prepaid maintenance charges, or related software license)? Will an appraisal be required? If concerned that structure might be inconsistent with tax lease treatment (e.g., options include fixed payments, anticipated residual and/or return conditions are aggressive, etc.), has the client and tax counsel considered adequacy of income tax indemnity?

ix. **Location, Location, Location.** What is the impact of the location of the equipment and/or the lessee or other user (sublessee) or obligor (guarantor)? Consider the implications of the location of the lessee and any other obligor and/or the equipment when purchased, delivered, and/or operated, on the imposition of taxes (e.g., sales, use, personal property, ad valorem, value added, franchise, withholding, stamp, etc.) and any reporting requirements? Are there available exemptions based on resale, etc., and, if so, has there been an allocation of responsibility to obtain an exemption certificate from the appropriate governmental authority? Will the tax risk be diminished by making adjustments to the documents (e.g., grant of security interest, instead of conveyance language, in a bill of sale in a sale leaseback (“S/L”) or non-true lease (“NTL”) transaction), location of the equipment upon delivery (e.g., if an aircraft, in a jurisdiction that is tax favorable) or jurisdiction in which the documents are executed (e.g., for Florida stamp taxes, outside of Florida)? Does the location have any impact on enforceability of documents against any of the obligors, or rights
in the equipment? Any impact on liability implications to the lessor (owner liability concerns)? Does the required insurance contemplate foreign use? Any doing business issues (e.g., licensing, reporting, etc.)? Any governmental actions or approvals required? Will local counsel be necessary for advice, documentation, filings, etc. and will there be opinions required from this counsel?

d. Liability considerations. Consider ownership liability risks, especially if a true lease.

i. Nature of Equipment. These risks might be influenced by the nature or anticipated use of the equipment (e.g., trucks, aircraft or other transportation equipment; manufacturing equipment that may contain, release or transport environmentally sensitive substances), or the location of the equipment (e.g., facility - equipment and/or "sticks and bricks" - located on real estate that is or may become contaminated) or in a jurisdiction where the ownership liability laws are less favorable. Client might desire to employ a trust or SPE, or structure as a non-true lease, hoping to provide some risk avoidance.

ii. Insurance. Determine whether the financing party has any mandates regarding liability insurance (e.g., minimum amounts, deductible/self-insurance limits, cancellation notices, breach of warranty, environmental, war risk and other endorsements, etc.), and who will be insuring if not the lessee. Many lessors have a risk management specialist that you might consult with.

iii. Indemnity. Does the indemnity cover the broad risks associated with the equipment or its anticipated use, and is it helpful to address any known or peculiar risks by “beefing up” the indemnity (e.g., environmental, terrorism, third party use, etc.)? Any permitted carve-outs (e.g., gross or simple negligence, willful misconduct, lessor breaches, claims made with respect to the equipment after it is returned to lessor)? Does the client have any policies about lessee’s right to contest or control third party litigation?

e. Interested third parties. Determine all facts regarding third parties with the right to use, operate, possess and/or service the equipment. Consider timing and hassle factor associated with any third party agreements, even if using lessor's forms.

i. Any third parties to use or have possession? Review any existing and/or contemplated subleases, rental arrangements, etc. Determine whether the provisions of any such arrangement are consistent with the provisions of the lease, and whether the term is shorter than the term of the lease. Prepare acknowledgments and/or collateral assignments with respect to any such subleases, etc. Any third party using, operating or in possession of the equipment should acknowledge that its interest in the equipment is subject and subordinate to the financing party’s rights.
Consider whether the equipment will be inventory in the hands of the lessee or sublessee, and consider the UCC implications (i.e., with respect to a “lessee in the ordinary course of business”).

ii. **Collateral or other credit support involving third party?** If pursuant to existing agreements between customer and third party, or forms mandated by third party, need to review those documents. If a sublease has been collaterally assigned, the parties might enter into a collateral assignment, have the third party sublessee acknowledge the assignment, and file related UCCs. Additionally, “chattel paper” must be established and delivered to lessor. If stock or deposits, need to establish form of control agreement. If letter of credit, need to establish/negotiate form.

iii. **Any liens or encumbrances against equipment or collateral?** Do seller, seller’s lender or other party have a lien or other existing or anticipated future interest in or other potential claim to the equipment (especially if lessee is the seller in a sale/leaseback transaction, or if a non-true lease)? If a sale/leaseback or non-true lease, does lessee need to get consent from any line bank lender or other party as a condition to enter into the transaction? Who is responsible for any lien search? If any liens are determined pursuant to lien search or disclosed, will the lessee be required to address any lien release concerns? Subordination instead of a release, maybe, but only if non-true lease. Is the equipment going to be attached or essential to real estate, or otherwise subject to the rights of an owner, mortgagee or landlord of the related real estate? Does the client require Landlord/Mortgagee Waivers and/or title searches? Does anticipated remarketing (whether in connection with enforcement or to achieve anticipated residual) necessitate assignment of real estate lease, right to use or have access to premises, or option to buy, related real estate from owner?

iv. **Need assurances from software licensor, vendor or service providers?** Review any software licenses, vendor support agreements and maintenance or other pertinent third party agreements and (if important to the lease enforcement or remarketing of the equipment) prepare assignment and/or consent agreements. If lessor is funding any maintenance reserves, or if pledged as collateral, has party holding funds confirmed lessor’s rights to these funds upon lease termination or expiration?

f. **What are the conditions to any credit approval?** In addition to any requirements regarding collateral or third party credit support, are there credit oriented, equipment related or other credit approval conditions that need to be addressed in the documents? Are there credit protections required with respect to lessee, any guarantor or other obligor, such as covenants, cross-defaults, “event risks” (i.e., no mergers, etc.), declining debt ratings or material adverse event (“MAE” or “MAC”) triggers? Are there dollar thresholds for any cross-defaults or MAC triggers? Are there material agreements (e.g., existing loan facility agreements, third party agreements having an impact on the anticipated
revenue from the equipment or lessee’s or other obligor’s continued financial standing) that need to be reviewed and/or made the subject of the default, reporting, granting clause, closing conditions or further assurance provisions? Any inspections, appraisals or other due diligence required to support or assure the collateral value of the equipment or any collateral?

g. **Consider all lien search and perfection issues.** For the purpose of conducting lien searches and filing UCCs and any other filings, you need to determine (i) organizational information regarding the seller, lessee, and any third parties that might have a property interest in the equipment and/or the related premises, (ii) location of the equipment, and (iii) any existing and anticipated fixture or other real estate concerns. A review of the organizational documents and good standing certificates to be delivered in connection with closing should be helpful. For transportation equipment, whether vehicles, vessels, rail equipment or aircraft, determine what federal, state or local regulations govern title transfers and lien filings relating to these assets, and comply with, and/or hire special counsel to provide assistance with, searches, document preparation and/or filings.

h. **Sale/purchase agreement(s).** Review and, as applicable, prepare assignments with respect to all purchase and/or license documents. Consider all issues regarding delivery (e.g., sales tax, funding conditions, title/liens, documentation, etc.), especially if in stages. Has title already passed to Lessee (i.e., has the equipment been delivered), and if so, have the parties considered the lien, documentation and sales, etc. tax implications (i.e., because as to that equipment, the transaction is a S/L transaction)? Prepare lease and UCCs using the description in the purchase documents of the equipment, especially any material items, but only after having client confirm the accuracy of the equipment list.

i. **Regulatory Concerns.** Consider whether the lessee, the equipment or the anticipated use of the equipment is subject to any governmental regulations. Does some governmental authority need to be notified or give approval? Is there a governmental filing or titling requirement to effectuate the purchase or lease of the equipment, or to protect or perfect the lessor’s interest in the equipment?

j. **Syndication expectations.** Will the financing party provide all of the financing, and/or keep the transaction in its portfolio? Do the applicable provisions of the lease documents match the contemplated syndication, including the requirements of the assignee. If known at closing, who will be the lessor on the equipment schedule? If synthetic, or other non-true lease, will lessor enter into the lease documents “for itself, and as agent for certain participants”? Will syndication be concurrent with lease closing? Consider practicalities (hassles?) of shared decision making, and documentation issues. Will the syndication be disclosed, and if so, establish form of lessee/guarantor acknowledgment, and have lessee obtain insurance and any other third party documents entered into for the benefit of the assignee. Will originating lessor be billing and collecting rents, taxes, etc. after the assignment (i.e., as fiscal agent)? If so, establish parameters of this agency.
II. PREPARING THE TRANSACTION DOCUMENTS.

a. Organization. It is essential to an organized closing to develop a complete closing checklist which includes all transaction documents needed for the matter and delegates responsibility for drafting each document.

b. Responsibilities. The lessee will generally be responsible for drafting, obtaining and/or circulating drafts or executed copies of:

   i. All corporate deliverables (e.g., secretary's certificate, with attached resolutions and incumbency) and good standing certificates.

   ii. The purchase agreement, any license, and/or the bill of sale and payment instructions.

   iii. The sublease, service contracts and other third party arrangements pertinent to the sale or financing.

   iv. All third party documents not part of the lease document package (e.g., releases, letters of credit, insurance certificates).

   v. Any opinion letters (but using a form prepared or approved by lessor or its counsel).

c. Lessor Responsibilities. The financing party will usually be responsible for drafting the lease documents, including any guaranties, third party acknowledgments and assignments, UCCs and other lien filings. Counsel will sort out the allocation of responsibilities among counsel, client, any syndication party, lessee and any third party participating in the closing. Prepare a responsibility checklist to establish the allocation of responsibilities.

d. Document Preparation. Attached are “decision trees” for the selection of the applicable middle market lease forms to be used in connection with a purchase and lease of equipment. Also attached are sample forms that may be used for such purposes.
ACQUISITION OF EQUIPMENT

Ordering
  ➔ Purchase Order Assignment and Novation
  or
  ➔ Agency
    ➔ Agency Rider to Lease
    or
    ➔ Agency Agreement
      ➔ Lessee pays the Vendor and is reimbursed
      or
      ➔ Lessor pays the Vendor

Interim Financing
  ➔ Interim Financing Agreement with Interim Promissory Note
  and
  ➔ UCC Attachment (interim financing)
TRUE LEASE

Master Lease Agreement (TL)

Real Property Waiver (unless motor vehicles)

UCC Attachment (unless sale-leaseback)

Opinion (Lessee)

- Corporation (unless sale-leaseback)
  - or
  - Limited Liability Company (unless sale-leaseback)

Certificate of Resolutions (Lessee)

- Corporation (unless sale-leaseback)
  - or
  - Limited Liability Company (unless sale-leaseback)

Tax Indemnification Rider to Lease

- Full Blown Indemnification
  - or
  - Acts and Omissions of Lessee

Tax Contest Rider to Lease

Return Conditions Rider to Equipment Schedule

End of Term Position

- Standard Option Riders to Equipment Schedule
  - or
  - Early Buy Out Rider to Equipment Schedule
    - or
    - First Amendment Rider to Equipment Schedule
      - - Mandatory
        - or
        - Optional
      - or
      - TRAC Rider to Equipment Schedule
        - - Full
          - or
          - Split
LEASE INTENDED FOR SECURITY

Master Lease Agreement (LFS)

Real Property Waiver (unless motor vehicles)

UCC Attachment (unless sale-leaseback)

Opinion (Lessee)

  Corporation (unless sale-leaseback)
  Limited Liability Company (unless sale-leaseback)

Certificate of Resolutions (Lessee)

  Corporation (unless sale-leaseback)
  Limited Liability Company (unless sale-leaseback)

Termination Rental Premium Rider to Equipment Schedule
SALE-LEASEBACK

Bill of Sale
- True Lease (from Lessee)
  or
- Lease Intended for Security

UCC Attachment (S/L)
- True Lease
  or
- Lease Intended for Security

Certificate of Resolutions (Lessee) (S/L)
- Corporation
  or
- Limited Liability Company

Opinion (Lessee) (S/L)
- Corporation
  or
- Limited Liability Company

Sale-Leaseback Rider to Equipment Schedule
EQUIPMENT SCHEDULES

Equipment Schedule (for use with standard Interim Term)

- True Lease
  - Standard
  - First Amendment
- Lease Intended for Security

Extended Interim Term

- Interim Equipment Schedule for use with extended Interim Term
- Final Equipment Schedule for use after an extended Interim Term

Schedule of Equipment (to be attached to the Equipment Schedule)

Schedule of Stipulated Loss Values (to be attached to the Equipment Schedule)
SPECIAL FEATURES

Environmental Indemnity Rider to Lease

Substitution Option Rider to Equipment Schedule

Economic Obsolescence Termination Option

Economic Obsolescence Rider to Lease

and

Schedule of Termination Values (attached to Equipment Schedule)

Sublease

Sublease Rider to Equipment Schedule

Standard with Exhibit A – Form of Sublease Agreement

or

when Lessee is in the business of renting the Equipment

and

UCC Attachment

Standard

or

when Lessee is in the business of renting the Equipment

Multiple Lessees Rider to Lease
GUARANTOR

Master Lease Guaranty

Corporation/Limited Liability Company
or
Individual

Certificate of Resolutions (Guarantor)

Corporation
or
Limited Liability Company

Opinion (Guarantor)

Corporation
or
Limited Liability Company
or
Individual

Guarantor Rider to Lease
THE LEASING COMPANY, as LESSOR
THE MANUFACTURING COMPANY, as LESSEE
EQUIPMENT SCHEDULES NOS. 1, 2, AND 3
April __, 2004
CLOSING LIST

<table>
<thead>
<tr>
<th>ITEM</th>
<th>RESPONSIBLE PARTY</th>
<th>STATUS –4__/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Equipment Bill of Sale relating to Equipment Schedule No. 1, by Vendor, Inc. (“Supplier”) in favor of The Leasing Company (“Lessor”)</td>
<td>SUPPLIER</td>
</tr>
<tr>
<td>2.</td>
<td>Equipment Bill of Sale relating to Equipment Schedule No. 2, by Supplier in favor of Lessor</td>
<td>SUPPLIER</td>
</tr>
<tr>
<td>3.</td>
<td>Equipment Bill of Sale relating to Equipment Schedule No. 3, by The Manufacturing Company (“Lessee”) in favor of Lessor</td>
<td>LESSEE</td>
</tr>
<tr>
<td>4.</td>
<td>Master Lease Agreement between Lessor and Lessee</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>5.</td>
<td>Equipment Schedule No. 1 between Lessor and Lessee</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>6.</td>
<td>Equipment Schedule No. 2 between Lessor and Lessee</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>7.</td>
<td>Equipment Schedule No. 3 between Lessor and Lessee</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>8.</td>
<td>UCC-1 financing statement describing Lessor, as secured party, Lessee, as debtor, and the Equipment on Equipment Schedule No. 1 as the collateral, to be filed with the Secretary of State of Ohio</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>ITEM</td>
<td>RESPONSIBLE PARTY</td>
<td>STATUS – 4/__/04</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>9.</td>
<td>UCC-1 financing statement describing Lessor, as secured party, Lessee, as debtor, and the Equipment on Equipment Schedule No. 2 as the collateral, to be filed with the Secretary of State of Ohio</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>10.</td>
<td>UCC-1 financing statement describing Lessor, as secured party, Lessee, as debtor, and the Equipment on Equipment Schedule No. 3 as the collateral, to be filed with the Secretary of State of Ohio</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>11.</td>
<td>Letter of partial release, by Lessee’s Lienholder, with full asset list attached</td>
<td>LESSEE</td>
</tr>
<tr>
<td>12.</td>
<td>Landlord Mortgagee Waiver, with list of equipment leased under Equipment Schedule No. 1 attached</td>
<td>LESSEE</td>
</tr>
<tr>
<td>13.</td>
<td>Certificate of Secretary of Lessee</td>
<td>LESSEE</td>
</tr>
<tr>
<td>14.</td>
<td>Good Standing Certificates for Lessee</td>
<td>LESSEE</td>
</tr>
<tr>
<td>15.</td>
<td>Corporate Documents of Lessee: By-laws, Articles of Incorporation, Incumbency Certificate, etc.</td>
<td>LESSEE</td>
</tr>
<tr>
<td>16.</td>
<td>Opinion Letter of Counsel of Lessee</td>
<td>LESSEE</td>
</tr>
<tr>
<td>17.</td>
<td>Evidence of Insurance</td>
<td>LESSEE</td>
</tr>
<tr>
<td>18.</td>
<td>Lien Search Results</td>
<td>LESSOR</td>
</tr>
<tr>
<td></td>
<td>ASSIGNMENT DOCUMENTS</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Master Assignment Agreement between Lessor and Assignee, Inc. (&quot;Assignee&quot;)</td>
<td>COUNSEL</td>
</tr>
<tr>
<td>ITEM</td>
<td>RESPONSIBLE PARTY</td>
<td>STATUS – 4/__/04</td>
</tr>
<tr>
<td>------</td>
<td>------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>20.  Master Assignment Agreement between Lessor and Buyer, Inc. (“Buyer”)</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>21.  Specification of Assigned Interest between Assignee and Lessor</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>22.  Specification of Assigned Interest between Buyer and Lessor</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>23.  Bill of Sale relating to assigned equipment between Lessor and Assignee</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>24.  Bill of Sale relating to assigned equipment between Lessor and Buyer</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>25. Notice and Acknowledgement of Assignment, by Lessee relating to assignment of Equipment Schedule No. 1 to Assignee</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>26. Notice and Acknowledgement of Assignment, by Lessee relating to assignment of Equipment Schedule No. 2 to Buyer</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>27. Servicing Agreement between Assignee and Lessor</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>28. Servicing Agreement between Buyer and Lessor</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>29. Pay Proceeds Letter by Lessor to Assignee</td>
<td>COUNSEL</td>
<td></td>
</tr>
<tr>
<td>30. UCC-3 Amendment assigning UCC-1 relating to Equipment Schedule No. 1 to Assignee</td>
<td>ASSIGNEE</td>
<td></td>
</tr>
<tr>
<td>31. UCC-3 Amendment assigning UCC-1 relating to Equipment Schedule No. 1 to Buyer</td>
<td>BUYER</td>
<td></td>
</tr>
<tr>
<td>32. Appraisal</td>
<td>LESSOR/ASSIGNEE</td>
<td></td>
</tr>
<tr>
<td>ITEM</td>
<td>RESPONSIBLE PARTY</td>
<td>STATUS – 4/___/04</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>33.</td>
<td>Updated Lien Search</td>
<td>ASSIGNEE</td>
</tr>
</tbody>
</table>
THE LEASING COMPANY

EQUIPMENT BILL OF SALE

THIS EQUIPMENT BILL OF SALE is given by __________________________ (herein the "Seller") to THE LEASING COMPANY, its successors and assigns (herein the "Buyer").

WITNESSETH:

THAT FOR TEN DOLLARS ($10.00) AND OTHER GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Seller does hereby convey, assign, transfer and set over to Buyer, its successors and assigns, an interest in the items of equipment listed on the schedule attached hereto (being referred to herein as the "Equipment").

TO HAVE AND TO HOLD said Equipment, unto Buyer, its successors and assigns, forever.

The conveyance contemplated hereby is solely for the purpose of granting to Buyer a security interest in the Equipment. All Equipment in which an interest is conveyed hereby shall remain in the possession of Seller pursuant to that certain Master Lease Agreement dated as of _______________, ________, between Seller and Buyer.

Seller represents and warrants that it has good and marketable title to said Equipment conveyed hereunder and does hereby transfer the interest therein free and clear of any and all encumbrances, liens, charges or defects. Seller further represents and warrants that the interest in the Equipment conveyed hereunder is transferable by Seller by its sole act and deed and that all corporate action required to authorize, approve and validate such transfer has been duly and lawfully taken.

AND Seller covenants that it will from time to time on demand execute any and all such further instruments which Buyer, and its successors and assigns, may deem necessary, desirable or proper to effect the complete transfer of the Equipment or any interest therein unto Buyer, and its successors and assigns, or better to evidence the right, title and interest of Buyer, its successors and assigns.

AND Seller does hereby make, constitute and appoint Buyer, its successors and assigns, its true and lawful attorneys, irrevocably in its name or otherwise, to have, use and take all lawful ways and means for the recovery of any of said property or right or interest therein herein assigned to Buyer which Seller may have or could take if this Bill of Sale had not been made.

IN WITNESS WHEREOF, Seller has caused this instrument to be duly executed, under seal, as of the _____day of _______________, __________.

By: __________________________
Name: __________________________
Title: __________________________
April 30, 2004

Charles Wiggum  
Executive Director  
The Manufacturing Company  
123 Fake Street  
Springfield, Ohio 48099

Dear Mr. Wiggum:

We are pleased to advise you that The Leasing Company has approved a firm commitment for a lease line of $9,000,000 to The Manufacturing Company (the “Lessee”), to be funded by us or our nominee, upon the terms and conditions of the proposal letter dated March 31, 2004 and accepted by you on April 7, 2004.

This firm commitment has been rendered in express reliance on the financial or other statements respecting the conditions, operation, and affairs of the Lessee, and respecting the equipment to be leased, which the Lessee has previously provided to us, and is based on the understanding that the Lessee has committed to complete the transaction with us or our nominee. This commitment is subject to the condition that there shall be no material adverse change in either (i) the business or financial condition of the Lessee or (ii) proposed Federal tax law, prior to any funding under the lease. In addition, fundings under this lease will be for a minimum of $100,000 each.

Fundings will be governed by the Master Equipment Lease dated March 30, 2000, as amended. The Administrative Fee contained in the preliminary proposal is earned by The Leasing Company with the issuance of this commitment letter.

This firm commitment will expire on May 15, 2004, unless you acknowledge your receipt and acceptance hereof, by executing the enclosed copy of this letter and returning it to us by that date.

SIGNATURE PAGE FOLLOWS
The Manufacturing Company
April 30, 2004
Page 2

The Leasing Company

By: ________________________________
   H.J. Simpson
   Senior Vice President

ACCEPTED FOR THE LESSEE:

By: ________________________________

Date: _____________________________, 2004
The terms of this Commitment Exhibit No. 1 are incorporated by reference into the commitment letter dated April 30, 2004.

TRANSACTION: The transaction is structured as a true lease in which the Lessor will be entitled to claim and retain all of the tax benefits associated with ownership of the Equipment. The lease will be a net lease in which the Lessee will be responsible for all expenses relating to the Equipment and the transaction, including, but not limited to, equipment maintenance, insurance coverage, payment of personal property taxes, recording fees and other expenses.

LESSOR: The Leasing Company and/or its assignee or nominee.

LESSEE: The Manufacturing Company

EQUIPMENT: Over the road tractors, all assumed to be new and acceptable to Lessor.

DELIVERY: All Equipment must be delivered, accepted and scheduled on or before December 31, 2004.

EQUIPMENT COST: $3,000,000.00 together with all other Exhibits hereunder.

TERM: Five (5) years from the Base Lease Commencement Date.

BASE LEASE COMMENCEMENT DATE: First day of the month following delivery and acceptance.

BASE LEASE RENTAL PAYMENT: The Lessee will be required to make sixty- (60) monthly rental payments, each payable in advance, equal to the following percentages of the Equipment Cost:

<table>
<thead>
<tr>
<th>Delivery and Funding Date</th>
<th>Rental Payment Factor</th>
<th>Base Lease Commencement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/17/2004 – 2/29/2004</td>
<td>1 @ _________%</td>
<td>May 1, 2004</td>
</tr>
<tr>
<td></td>
<td>59 @ _________%</td>
<td></td>
</tr>
<tr>
<td>3/1/2004 – 3/31/2004</td>
<td>1 @ _________%</td>
<td>June 1, 2004</td>
</tr>
<tr>
<td></td>
<td>59 @ _________%</td>
<td></td>
</tr>
<tr>
<td>4/1/2004 – 4/30/2004</td>
<td>1 @ _________%</td>
<td>July 1, 2004</td>
</tr>
<tr>
<td></td>
<td>59 @ _________%</td>
<td></td>
</tr>
</tbody>
</table>
**PAYMENT FACTOR ADJUSTMENT:**
The Payment Factors stated above were calculated based upon Lessor’s 2-year cost of funds of [____]% on January 30, 2004.

The Final Payment Factor to be fixed for the Term will be calculated by adjusting the Payment Factor upward or downward by -----------% for each basis point (0.01%) change between Lessor’s cost of funds referenced above and Lessor’s 2-year cost of funds on the date of funding of a final equipment schedule.

**INTERIM RENTAL PAYMENTS:**
From the funding date to the Base Lease Commencement Date, Lessee will be required to make Interim Rental Payments of interest only at a rate equal to the London Interbank Offered Rate (LIBOR), as published in *The Wall Street Journal*, plus two percent (2.0%), as it may change from time to time.

**TERMINAL RENTAL ADJUSTMENT:**
The lease will contain a Terminal Rental Adjustment Clause (TRAC) whereby the lease payments will be adjusted retroactively at the end of the lease term to compensate for changes in equipment value. The Lessor has assumed the equipment will have a value at the end of the lease term equal to twenty-five percent (25.00%) of the original Equipment Cost. At the end of the lease, the Lessor will sell the equipment to Lessee or a third party for its fair market value. If the net proceeds (net of selling costs, repairs, etc.) differ from twenty-five percent (25.00%), Lessor will retroactively adjust Lessee’s rentals to collect the difference from Lessee in the case of deficiency; or, in the case of a surplus, refund the difference to Lessee.

**AT RISK LANGUAGE:**
Notwithstanding the above, in the event of a deficiency, Lessee’s maximum at risk position shall be 12.45% of the Equipment Cost.

**TAX BENEFITS:**
Depreciation deductions arising out of the ownership of the Equipment will be for the account of Lessor and will be recognized over a three (3) year period on a 200% declining balance switching to straight-line (ddb/sl) formula using the half-year convention. A Federal Corporate tax rate of 35% for 2004 and thereafter was assumed in calculating the Payment Factor. In the event of a change of tax law or in the interpretation of tax law from the assumptions herein prior to funding, the
Payment Factor will be adjusted to preserve the Lessor’s economics. After funding, the Lessee shall indemnify the Lessor against the loss of the Tax Benefits assumed to be available to the Lessor due to the acts or omissions of Lessee.

**BONUS DEPRECIATION:** The Lessee and Lessor assume that the Equipment outlined in this proposal would qualify for the 50% depreciation bonus contained in the recent Economic Stimulus tax law. If the Equipment does not qualify for the depreciation bonus, then the payment factors will be adjusted to preserve the Lessor’s economics.

**ADMINISTRATIVE FEE:** An amount equal to one half of one percent (0.50%) of the Equipment Cost shall be paid to Lessor at the time of each funding and payable on a pro rata basis along with the first monthly rental payment. The Administrative Fee covers, among other things, Lessor’s initial expenses of solicitation, structuring, credit evaluation, legal review, documentation and negotiation and is non-refundable.

**LESSEE SUPPLIED INFORMATION:** By signing and returning this commitment, the Lessee confirms that all information and written materials which it provides to the Lessor in connection with this proposed transaction are accurate, that the Lessee has all necessary authority to disclose such information and written materials and to provide copies of such information and written materials to Lessor. The Lessor is authorized to use such information and written materials for its internal purposes and for the purpose of inclusion in materials provided to nominees selected by the Lessor for purposes of syndication of the transaction.

**ACCEPTED:** ____________________________  **DATE:** ____________________________
COMMITMENT EXHIBIT NO. 2

The terms of this Commitment Exhibit No. 2 are incorporated by reference into the commitment letter dated April 30, 2004.

TRANSACTION: The transaction is structured as a true lease in which the Lessor will be entitled to claim and retain all of the tax benefits associated with ownership of the Equipment. The lease will be a net lease in which the Lessee will be responsible for all expenses relating to the Equipment and the transaction, including, but not limited to, equipment maintenance, insurance coverage, payment of personal property taxes, recording fees and other expenses.

LESSOR: The Leasing Company and/or its assignee or nominee.

LESSEE: The Manufacturing Company

EQUIPMENT: Computers and related items, all assumed to be new and acceptable to Lessor.

DELIVERY: All Equipment must be delivered, accepted and scheduled on or before December 31, 2004.

EQUIPMENT COST: $3,000,000.00

TERM: Three (3) years from the Base Lease Commencement Date.

BASE LEASE COMMENCEMENT DATE: April 1, 2004; July 1, 2004; October 1, 2004; and January 1, 2005.

BASE LEASE RENTAL PAYMENT: The Lessee will be required to make thirty-six (36) monthly rental payments, each payable in advance, equal to the following percentages of the Equipment Cost:

<table>
<thead>
<tr>
<th>Delivery and Funding Date</th>
<th>Rental Payment Factor</th>
<th>Base Lease Commencement Date</th>
<th>Payment Factor Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through 3/31/2004</td>
<td>1 @ [____]%</td>
<td>April 1, 2004</td>
<td>[____]%</td>
</tr>
<tr>
<td></td>
<td>35 @ [____]%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/1/2004 – 6/30/2004</td>
<td>1 @ [____]%</td>
<td>July 1, 2004</td>
<td>[____]%</td>
</tr>
<tr>
<td></td>
<td>35 @ [____]%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/1/2004 – 9/30/2004</td>
<td>1 @ [____]%</td>
<td>October 1, 2004</td>
<td>[____]%</td>
</tr>
<tr>
<td></td>
<td>35 @ [____]%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PAYMENT FACTOR ADJUSTMENT: The Payment Factors stated above were calculated based upon Lessor’s 2-year cost of funds of [____]% on March 8, 2004.

The Final Payment Factor to be fixed for the Term will be calculated by adjusting the Payment Factor upward or downward by the Payment Factor Adjustment amount listed above for each basis point (0.01%) change between Lessor’s cost of funds referenced above and Lessor’s 2-year cost of funds on the date of funding of a final equipment schedule.

INTERIM RENTAL PAYMENTS: From the funding date to the Base Lease Commencement Date, Lessee will be required to make Interim Rental Payments of interest only at a rate equal to the Lessor Bank N.A. Prime Rate, as it may change from time to time.

LESSEE OPTIONS AT LEASE EXPIRATION: At the expiration of the Term, Lessee will have the following options:

A. Return all of the Equipment to the Lessor pursuant to the return provisions in the lease;

B. Renew all Equipment under lease at a term and rate to be negotiated by the parties based upon the then remaining useful life and fair market rental value of the Equipment; or

C. Purchase all the Equipment at its then fair market value.

OTHER TERMS: Aggregate software and other soft costs will not exceed 35% of Equipment Cost. This limit may be increased to 45% if this transaction is cross-collateralized with the credit facility offered by Lessor Bank, N.A.

TAX BENEFITS: Depreciation deductions arising out of the ownership of the Equipment will be for the account of Lessor and will be recognized over a five (5) year period on a 200% declining balance switching to straight-line (ddb/sl) formula using the half-year convention. A Federal Corporate tax rate of 35% for 2004 and thereafter was
assumed in calculating the Payment Factor. In the event of a change of tax law or in the interpretation of tax law from the assumptions herein prior to funding, the Payment Factor will be adjusted to preserve the Lessor’s economics. After funding, the Lessee shall indemnify the Lessor against the loss of the Tax Benefits assumed to be available to the Lessor.

**BONUS DEPRECIATION:**

The Lessee and Lessor assume that the depreciable Equipment outlined in this proposal would qualify for the 50% depreciation bonus contained in the recent Economic Stimulus tax law. If the Equipment does not qualify for the depreciation bonus, then the payment factors will be adjusted to preserve the Lessor’s economics.

**ADMINISTRATIVE FEE:**

An amount equal to one percent (1.00%) of the Equipment Cost shall be paid to Lessor at the time of acceptance and return of this proposal. The Administrative Fee covers, among other things, Lessor’s initial expenses of solicitation, structuring, credit evaluation, legal review, documentation and negotiation and it is refundable, less legal expenses, only if Lessor or its nominee fails to approve a firm commitment.

**LESSEE SUPPLIED INFORMATION:**

By signing and returning this commitment, Lessee confirms that all information and written materials which it provides to the Lessor in connection with this proposed transaction are accurate, that the Lessee has all necessary authority to disclose such information and written materials and to provide copies of such information and written materials to Lessor. The Lessor is authorized to use such information and written materials for its internal purposes and for the purpose of inclusion in materials provided to nominees selected by the Lessor for purposes of syndication of the transaction.

ACCEPTED: ___________________________ DATE: ___________________________
The terms of this Commitment Exhibit No. 3 are incorporated by reference into the commitment letter dated April 30, 2004.

**TRANSACTION:**
The transaction is structured as a true lease in which the Lessor will be entitled to claim and retain all of the tax benefits associated with ownership of the Equipment. The lease will be a net lease in which the Lessee will be responsible for all expenses relating to the Equipment and the transaction, including, but not limited to, equipment maintenance, insurance coverage, payment of personal property taxes, recording fees and other expenses.

**LENDER:**
The Leasing Company and/or its assignee or nominee.

**LESSEE:**
The Manufacturing Company

**EQUIPMENT:**
Manufacturing equipment and inventory, all assumed to be new/used and acceptable to Lessor.

**DELIVERY:**
All Equipment must be delivered, accepted and scheduled on or before December 31, 2004.

**EQUIPMENT COST:**
$3,000,000.00

**TERM:**
Six (6) years from the Base Lease Commencement Date.

**BASE LEASE COMMENCEMENT DATE:**
February 1, 2004.

**BASE LEASE RENTAL PAYMENT:**
The Lessee will be required to make seventy-two (72) monthly rental payments, each payable in advance, equal to the following percentages of the Equipment Cost:

<table>
<thead>
<tr>
<th>Delivery and Funding Date</th>
<th>Rental Payment Factor</th>
<th>Base Lease Commencement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through 1/30/2004</td>
<td>1 @ [___]%</td>
<td>February 1, 2004</td>
</tr>
<tr>
<td></td>
<td>71 @ [___]%</td>
<td></td>
</tr>
</tbody>
</table>

**PAYMENT FACTOR ADJUSTMENT:**
The Payment Factors stated above were calculated based upon Lessor’s 2.5 year cost of funds of [___]% on March 8, 2004.

The Final Payment Factor to be fixed for the Term will be calculated by adjusting the Payment Factor upward or
downward by [_____]% for each basis point (0.01%) change between Lessor’s cost of funds referenced above and Lessor’s 2.5 year cost of funds on the date of funding of a final equipment schedule.

**INTERIM RENTAL PAYMENTS:**

From the funding date to the Base Lease Commencement Date, Lessee will be required to make Interim Rental Payments of interest only at a rate equal to the London Interbank Offered Rate (LIBOR), as published in *The Wall Street Journal*, plus two and one half percent (2.5%), as it may change from time to time.

**LESSEE OPTIONS AT LEASE EXPIRATION:**

At the expiration of the Term, Lessee will have the following options:

A. Return all of the Equipment to the Lessor pursuant to the return provisions in the lease;

B. Renew all Equipment under lease at a term and rate to be negotiated by the parties based upon the then remaining useful life and fair market rental value of the Equipment; or

C. Purchase all the Equipment at its then fair market value.

**SPECIAL PURCHASE OPTION:**

At the end of the sixtieth (60th) month of the base lease term, Lessee shall have the option to purchase all of the Equipment for an amount equal to nineteen and thirty-one hundredths percent (19.31%) of the original Equipment Cost. This amount represents the anticipated fair market value at that time.

**SPECIAL PURCHASE OPTION ADJUSTMENT:**

The Special Purchase Option stated above was calculated based upon Lessor’s current cost of funds. The final Special Purchase Option to be fixed for the Term will be calculated on the date of funding of a final equipment schedule by adjusting the Special Purchase Option upwards or downwards by 0.00377% for each basis point (0.01% change between Lessor’s current cost of funds and the then current cost of funds.

**SPECIAL RETURN OPTION:**

At the end of the twenty-fourth (24th) month, Lessee may return the Equipment to the Lessor along with a termination premium equal to fifty-eight and seventen-thenths percent (58.7%) of the Equipment Cost.

**TAX BENEFITS:**

Depreciation deductions arising out of the ownership of
the Equipment will be for the account of Lessor and will be recognized over a five (5) year period on a 200% declining balance switching to straight-line (ddb/sl) formula using the half-year convention. A Federal Corporate tax rate of 35% for 2003 and thereafter was assumed in calculating the Payment Factor. In the event of a change of tax law or in the interpretation of tax law from the assumptions herein prior to funding, the Payment Factor will be adjusted to preserve the Lessor’s economics. After funding, the Lessee shall indemnify the Lessor against the loss of the Tax Benefits assumed to be available to the Lessor.

**BONUS DEPRECIATION:**

The Lessee and Lessor assume that the Equipment outlined in this proposal would qualify for the 50% depreciation bonus contained in the recent Economic Stimulus tax law. If the Equipment does not qualify for the depreciation bonus, then the payment factors will be adjusted to preserve the Lessor’s economics.

**LESSEE SUPPLIED INFORMATION:**

By signing and returning the commitment letter dated April 30, 2004, the Lessee confirms that all information and written materials which it provides to the Lessor in connection with this transaction are accurate, that the Lessee has all necessary authority to disclose such information and written materials and to provide copies of such information and written materials to Lessor. The Lessor is authorized to use such information and written materials for its internal purposes and for the purpose of inclusion in materials provided to nominees selected by the Lessor for purposes of syndication of the transaction.
RIDER NO. ___

To and part of Master Lease Agreement dated as of the _____ day of _____________________, ______ (the “Lease”) between THE LEASING COMPANY, its successors and assigns (“Lessor”), and THE MANUFACTURING COMPANY, its successors and permitted assigns (“Lessee”).

APPLICABILITY. This Rider shall be applicable solely with respect to items of the Equipment described on Schedules designated as Series _____ (the “Series _____ Equipment”). Each reference herein to Equipment shall be deemed to refer only to the Series _____ Equipment; and each reference herein to Schedule shall be deemed to refer only to the Schedules designated as Series _____.

EARLY RETURN OPTION. Provided that no Default or Event of Default has then occurred, Lessee shall have the option to terminate this Lease with respect to each Schedule on that date which is ________________________ (______) months after the Base Lease Commencement Date (the “Termination Date”) with respect to such Schedule, and to return the Equipment to Lessor, upon the following terms and conditions: if Lessee desires to exercise this option, it shall give Lessor written notice of its election to terminate and return at least one hundred eighty (180) days before the Termination Date with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. On the Termination Date, Lessee shall return the Equipment described on the applicable Schedule to Lessor in accordance with the provisions of, and in compliance with the conditions required by, Section 13 and Rider No. _____ of this Lease; and Lessee shall pay to Lessor by certified check or wire transfer (whichever method Lessor so elects) any Rent due on that date plus a return penalty calculated as ________________________ (______) percent of the original Total Invoice Cost of the Equipment described on the applicable Schedule.

Notwithstanding any election of Lessee hereunder, the provisions of this Lease shall continue in full force and effect until the return of the Equipment in compliance with the provisions hereof and the payment of the return penalty as provided herein.

THE LEASING COMPANY

Lessor

By: __________________________ [SEAL]
Name: _________________________
Title: __________________________

THE MANUFACTURING COMPANY

Lessee

By: __________________________ [SEAL]
Name: _________________________
Title: __________________________
RIDER NO. ____

To and part of Master Lease Agreement dated as of the __________ day of _________________, ________ (the "Lease") between THE LEASING COMPANY, its successors and assigns ("Lessor"), and THE MANUFACTURING COMPANY, its successors and permitted assigns ("Lessee").

[EARLY TERMINATION OPTION] - FIXED PURCHASE PRICE

Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, upon the expiration of the _______________ (____) month of the original term of this Lease (the "Early Termination Date"), all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor written notice of its election to purchase at least thirty (30) days and not more than ninety (90) days before the Early Termination Date with respect to the first Schedule to be executed under this Lease. Such election shall be effective with respect to all Equipment leased under all Schedules. On the Early Termination Date with respect to each Schedule, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to that percentage as is specified on the Schedule of the original Total Invoice Cost of the Equipment (as specified on the Schedule), together with all taxes and charges upon sale. Lessor and Lessee agree that the purchase price represents a reasonable prediction of the Fair Market Value of the Equipment at the time the option is exercisable.

THE LEASING COMPANY
Lessor

By: ________________________ [SEAL]
Name: ________________________
Title: ________________________

THE MANUFACTURING COMPANY
Lessee

By: ________________________ [SEAL]
Name: ________________________
Title: ________________________
EQUIPMENT PURCHASE ORDER ASSIGNMENT AND NOVATION

THIS EQUIPMENT PURCHASE ORDER ASSIGNMENT AND NOVATION (this “Agreement”) is made as of the _____ day of ______________, ________, among THE LEASING COMPANY, its successors and assigns (“Lessor”), THE MANUFACTURING COMPANY, its successors and assigns (“Lessee”), and ________________, its successor and permitted assigns (“Seller”).

Seller and Lessee have heretofore entered into a contract for the purchase of certain equipment, subject to the terms and conditions of a ____________________________________________ dated _____________________, ______ (the “Purchase Agreement”).

Lessee is desirous of assigning its rights and certain of its obligations pursuant to said Purchase Agreement to Lessor so that said equipment may be leased by Lessor to Lessee pursuant to the terms of a Master Lease Agreement heretofore entered into between Lessor and Lessee (the "Lease").

Lessor is desirous of receiving and will accept such an assignment upon the express consent of Seller to this novation.

NOW, THEREFORE, in consideration of the premises and the sum of Ten Dollars ($10.00) in hand paid, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereby consent and agree as follows:

1. All of the rights of Lessee and the obligation of Lessee pursuant to said Purchase Agreement to pay the specified purchase price for the equipment are hereby irrevocably conveyed, transferred and assigned to Lessor.

2. Seller hereby consents to said assignment and expressly agrees to this novation, and will, from this time forward, look only to Lessor for payment of the purchase price of the equipment pursuant to the terms and conditions set forth in said Purchase Agreement.

3. Seller will perform all of its obligations pursuant to said Purchase Agreement and, furthermore, will render its invoice for said equipment in the name of Lessor to Lessor promptly after delivery to Lessee at the location specified in said Purchase Agreement.

4. Notwithstanding any provision to the contrary in said Purchase Agreement, delivery shall be made f.o.b. destination and Seller shall bear all risks of any loss or damage to the equipment and title shall not be deemed to pass from Seller to Lessor until the equipment has been delivered to the point of delivery specified and they are accepted by Lessee for purposes of the Lease; unless delivery is f.o.b. Seller's plant and insurance on the equipment during transit, in the amount of the purchase price of the equipment, is provided and maintained at Lessee's expense.

5. Seller agrees that by delivery of its invoice to Lessor, Seller warrants that delivery has been made in accordance with the terms and conditions of said Purchase Agreement and that the equipment conforms in all respects to specifications therein provided and is otherwise of good and merchantable quality without defect in workmanship, materials or quality. Notwithstanding that the undersigned Lessor is the purchaser of said equipment, Seller will extend all warranties, express and implied, including the warranty of merchantability, to both Lessor and Lessee, and Seller shall, at all times, retain full responsibility for compliance of the equipment with all warranties.

6. Notwithstanding the foregoing, if an Event of Default (as defined therein) has occurred under the Lease or Lessee does not notify Lessor of the completion of delivery of the equipment on or before ________________, ______, Lessor (at its sole discretion) may reassign the interest of Lessee assigned hereunder and the parties shall take all actions reasonably required to return the parties to the position in which they would have been had this assignment never occurred; and Seller agrees to accept the novation of such reassignment and will cooperate fully with the parties to restore the parties at such time to the position in which they would have been had this assignment never occurred. All reasonable expenses incurred by Seller in connection therewith shall be borne by Lessee.

7. Upon any sale or re-lease of the equipment by Lessor to a third party (whether as a result of the occurrence of an Event of Default under the Lease or otherwise), the rights and obligations of Lessee and Lessor in, to and under the Purchase Agreement, automatically without further action shall be assigned to such third party purchaser or lessee.
8. LESSEE AND SELLER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH LESSEE AND/OR SELLER MAY BE PARTIES ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE PARTIES AND THE PARTIES HEREBY ACKNOWLEDGE THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. SELLER AND LESSEE FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF THEIR OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

9. This Agreement, together with said Purchase Agreement, constitutes the entire agreement between the parties with respect to the subject matter thereof and no variation in any of the terms herein and therein set forth will be effective without Lessor's written consent.

10. This Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the parties hereto. This Agreement may not be assigned by Lessee or Seller without the prior written consent of Lessor, which shall not unreasonably be withheld or delayed. This Agreement may be assigned, in whole or in part, by Lessor upon written notice to Seller and Lessee.

11. All notices and other communications hereunder shall be in writing, personally delivered, delivered by overnight courier service, sent by facsimile transmission (with confirmation of receipt), or sent by certified mail, return receipt requested, addressed to the parties at the respective addresses set forth beneath the signature of such party, or to such other address as such party shall from time to time designate in writing to the other parties; and shall be effective from the date of receipt.

12. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF MARYLAND (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. The parties agree that any action or proceeding arising out of or relating to this Agreement may be commenced in any state or Federal court in the State of Maryland, and agree that a summons and complaint commencing an action or proceeding in any such court shall be properly served and shall confer personal jurisdiction if served personally or by certified mail to it at its address hereinbelow set forth, or as it may provide in writing from time to time, or as otherwise provided under the laws of the State of Maryland.

IN WITNESS WHEREOF, the parties hereto have caused this Equipment Purchase Order Assignment and Novation to be duly executed, under seal, as of the date first above set forth.

THE LEASING COMPANY
Lessor

By: [SEAL] Name: ________________________________
Title: ________________________________
Address: ________________________________
Facsimile: ________________________________

Selling

By: [SEAL] Name: ________________________________
Title: ________________________________
Address: ________________________________
Facsimile: ________________________________
THE MANUFACTURING COMPANY
Lessee

By: [SEAL]
Name: ____________________________
Title: ____________________________

Address: ____________________________

__________________________________
__________________________________

Facsimile: ____________________________
executed pursuant to that certain Master Lease Agreement dated as of ______________, ______ (the "Lease"; which is incorporated herein by reference). This Equipment Schedule, incorporating by reference the terms and conditions of the Lease, constitutes a separate instrument of lease.

1. EQUIPMENT. The Equipment leased hereunder shall be as set forth in the schedule attached hereto.

   TOTAL INVOICE COST: $________________________

2. TERM. Upon and after the date of execution hereof, the Equipment shall be subject to the terms and conditions provided herein and in the Lease.

   A full term of lease with respect to said Equipment shall commence on the date hereof and shall extend for ___________ (____________) months after the first day of ________________, ______ (the "Base Lease Commencement Date").

   [OPTIONAL: USE ONLY IF FIXED RENEWAL TERM IS SPECIFIED IN RIDER NO. 1]

   The renewal term (if applicable) shall be ___________ (___) months (the "Renewal Term").

3. RENT.

   [If Percent,

   (a) During the period from the date hereof to the Base Lease Commencement Date (the "Interim Term"), the pro-rated daily rent for said Equipment shall be $________________ per day; computed as __________% of the Total Invoice Cost specified above, calculated as specified in that certain commitment letter dated ______________, ______, executed by the parties. This pro-rated payment shall be made on the last day of the month for each month during the Interim Term.]

   [If Prime Rate,

   (a) During the period from the date hereof to the Base Lease Commencement Date (the "Interim Term"), the pro-rated daily rent for said Equipment shall be computed as the product of the Total Invoice Cost specified above and the Prime Rate plus _____ (___) percent, divided by three hundred sixty (360) days.

   As used herein, "Prime Rate" shall mean the highest rate of interest published in The Wall Street Journal as the prime rate of interest, in effect on the date of execution hereof; provided, however, that on the first day of each month during the Interim Term, the Prime Rate shall be changed to the Prime Rate in effect on such date.

   As used herein, "Prime Rate" shall mean the rate of interest announced by X Bank, National Association, Baltimore, Maryland from time to time as its prime lending rate, whether or not such rate is offered to other commercial borrowers/lessees of X Bank, National Association (or if such rate is not announced by X Bank, National Association, the highest rate of interest published in The Wall Street Journal as the prime rate of interest), in effect on the date of execution hereof; provided, however, that on the first day of each month during the Interim Term, the Prime Rate shall be changed to the Prime Rate in effect on such date.

   This pro-rated payment shall be made on the last day of the month for each month during the Interim Term.]
[If LIBOR,

(a) During the period from the date hereof to the Base Lease Commencement Date (the "Interim Term"), the pro-rated daily rent for said Equipment shall be computed as the product of the Interest Rate and the Total Invoice Cost specified above, divided by three hundred sixty (360). This pro-rated payment shall be made on the last day of the month for each month during the Interim Term. As used herein, "Interest Rate" shall mean an amount computed as a percentage per annum equal to the sum of (1) _______________ (_____) basis points, plus (2) the LIBOR Rate. As used herein, "LIBOR Rate" shall mean, with respect to each calendar month during the Interim Term, an interest rate per annum (rounded upward to the next higher whole multiple of one one-hundredth percent if such rate is not such a multiple), equal at all times during such calendar month to the rate per annum (rounded upwards to the next higher whole multiple of one one-hundredth percent if such rate is not such a multiple) as determined on the basis of the average of the rates offered by a majority of the banks in the London interbank market for deposits in U.S. Dollars for [one (1) month/three (3) months], to the extent the rates offered by these banks appear in the "Money Rates" column of The Wall Street Journal on the Business Day next preceding the first day of the calendar month (provided, however, that with respect to the first calendar month during the Interim Term, on the third Business Day next preceding the date of execution of this Equipment Schedule). As used herein, "Business Day" shall mean any day other than a Saturday, a Sunday, and any day on which banking institutions located in the States of Maryland or ________ are authorized by law or other governmental action to close.]

(b) From and after the Base Lease Commencement Date, the monthly rent for said Equipment during the term of this Lease shall be

$__________________, computed as __________% of the Total Invoice Cost specified above, calculated as specified in that certain commitment letter dated ________________, ________, executed by the parties.

computed as the following specified percentage of the Total Invoice Cost specified above, calculated as specified in that certain commitment letter dated ________________, ________, executed by the parties: installment one, __________%; and installments two through _________________, __________%.

Rent payments shall be made, in ________________, on the _______ day of the month for each month during the term of this Lease.

[OPTIONAL: USE ONLY IF FIXED RENEWAL RENT IS APPLICABLE IN RIDER NO. 1]

(c) During the Renewal Term (if applicable), the monthly rent for said Equipment shall be $______________, computed as ________% of the Total Invoice Cost specified above (the "Renewal Term Rent").
4. LESSEE’S CONFIRMATION. Lessee hereby confirms and warrants to Lessor that the Equipment: (a) was duly delivered to Lessee at the location specified in Section 5 hereof; (b) has been received, inspected and determined to be in compliance with all applicable specifications and that the Equipment is hereby accepted for all purposes of the Lease; and (c) is a part of the “Equipment” referred to in the Lease and is taken subject to all terms and conditions therein and herein provided.

5. LOCATION OF EQUIPMENT. The location of the Equipment is specified on the Schedule of Equipment attached hereto.

6. LATE CHARGE RATE. The Late Charge Rate shall be two (2) percent per month of the amount in arrears for the period such amount remains unpaid (provided, however, that if such rate exceeds the highest rate permitted by applicable law, then the Late Charge Rate shall be the highest rate permitted by applicable law).

7. TAX ATTRIBUTES. The class of property to which the Equipment is assigned (as referenced in Section 2 of Rider No. ___ to the Lease) is ___-year property. [The applicable additional first-year depreciation deduction with respect to the Equipment is ______________%.] [The applicable additional first-year depreciation deduction with respect to the Equipment is as specified on the Schedule of Equipment attached hereto.] [The Equipment is not eligible for an additional first-year depreciation deduction.]

8. PUBLIC LIABILITY INSURANCE. The amount of public liability insurance referenced in Section 11 of the Lease is $10,000,000.00.

9. PERSONAL PROPERTY TAXES.

Please choose one of the options below by initialing where indicated. Initial ONLY ONE choice of option:

OPTION 1 Lessee's Initials: _____________

(Applicable in Jurisdictions Requiring Lessor to List Equipment): Lessee agrees that it will not list any of such Equipment for property tax purposes or report any property tax assessed against such Equipment until otherwise directed in writing by Lessor. Upon receipt of any property tax bill pertaining to such Equipment from the appropriate taxing authority, Lessor will pay such tax and will invoice Lessee for the expense. Upon receipt of such invoice, Lessee will promptly reimburse Lessor for such expense;

OPTION 2 Lessee's Initials: _____________

(Applicable in Jurisdictions Permitting Lessee to List Equipment): Lessee agrees that it will (a) list all such Equipment, (b) report all property taxes assessed against such Equipment, and (c) pay all such taxes when due directly to the appropriate taxing authority until Lessor shall otherwise direct in writing.

10. SCHEDULE OF STIPULATED LOSS VALUES. This Schedule of Stipulated Loss Values shall be applicable solely to the Equipment described in this Equipment Schedule.

<table>
<thead>
<tr>
<th>Rent Payment No.</th>
<th>Percent of Total Invoice Cost</th>
</tr>
</thead>
</table>

[OPTIONAL: USE ONLY IF TRAC IS APPLICABLE]

______. TERMINAL RENTAL ADJUSTMENT. In Section A of Rider No. 1 to the Lease, the Estimated Residual Value of the Equipment shall be calculated as ________% of the Total Invoice Cost specified above [OPTIONAL: USE ONLY IF SPLIT TRAC APPLICABLE: The Lessee Risk Amount shall be calculated as ________% of the Total Invoice Cost specified above. The Lessor Risk Amount shall be calculated as ________% of the Total Invoice Cost specified above.]
SPECIAL PURCHASE OPTION. The Early Termination Date referenced in Section B(1)(a) of Rider No. 1 to the Lease is that date which is ______________ (____) months after the Base Lease Commencement Date. The Early Termination Percentage referenced in Section B(1) of Rider No. 1 to the Lease is ______________.

PURCHASE OPTION. The Fixed Percentage referenced in Section B (___) of Rider No. 1 to the Lease is _____

RETURN FEE. The Return Fee referenced in Section C of Rider No. 1 to the Lease shall be calculated as ________% of the Total Invoice Cost specified above.

EARLY RETURN OPTION. The Termination Date referenced in Section C of Rider No. 1 to the Lease shall be that date which is ______________ (____) months after the Base Lease Commencement Date. The Return Fee referenced in Section C of Rider No. 1 to the Lease shall be calculated as ______________ (____) percent of the Total Invoice Cost specified above.

BILL OF SALE. In consideration of the payment by Lessor of the amount specified herein as the Total Invoice Cost of the items of Equipment listed on the Schedule of Equipment attached hereto, the receipt and sufficiency of which are hereby acknowledged, Lessee does hereby bargain, sell, assign, transfer and set over to Lessor such Equipment, together with whatever claims and rights Lessee may have against the manufacturer and/or supplier of such Equipment, including (but not limited to) all warranties with respect thereto.

Lessee represents and warrants that: (a) Lessee has good and marketable title to such Equipment conveyed hereunder and does hereby transfer valid title thereto free and clear of any and all encumbrances, liens, charges or defects; (b) the sale of such Equipment (1) has been duly authorized by all necessary action on the part of Lessee, (2) does not require the consent of any stockholder, member, trustee or holders of any indebtedness of Lessee, except such as have been duly obtained, and (3) does not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the organizational documents of Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage, contract or other agreement to which Lessee is a party or by which it or its property is bound; and (c) no filing or recordation must be made, no notice must be given, and no other action must be taken with respect to any state or local jurisdiction, or any person, in order to preserve to Lessor all the rights transferred hereby.

PAYMENT AUTHORIZATION. Lessor is hereby irrevocably authorized and directed to pay the Total Invoice Cost specified above as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Address</th>
<th>Amount</th>
</tr>
</thead>
</table>

MCGIBSON 528021.1
[STANDARD]

Lessor is hereby authorized to insert such factually correct information as is necessary to complete this Equipment Schedule, including (without limitation) the date of execution, and the rental payment amount(s) and factor(s).

DATE OF EXECUTION: __________________, ________

THE LEASING COMPANY
Lessor

By: ____________________________ [SEAL]
Name: __________________________
Title: ____________________________

Lessee

By: ____________________________ [SEAL]
Name: __________________________
Title: ____________________________
THIS MASTER LEASE AGREEMENT (this "Lease") is made as of __________ __, 20__, between THE LEASING COMPANY ("Lessor") and THE MANUFACTURING COMPANY ("Lessee").

Lessee desires to lease from Lessor the equipment and other property (the "Equipment") described in each Equipment Schedule executed pursuant to this Lease (each, a "Schedule") incorporating by reference the terms and conditions of this Lease (the term "Lease" shall also include any Riders to this Lease entered into with respect to such Schedule). Certain definitions and construction of certain of the terms used in this Lease are provided in Section 19 hereof.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Lease agree as follows:

1. AGREEMENT TO LEASE; TERM. This Lease is effective as of the date specified above. By entering into a Schedule, Lessor leases the Equipment described therein to Lessee, and Lessee leases such Equipment from Lessor, in each case, subject to the terms and conditions in this Lease and such Schedule and all of the other documents and agreements executed in connection herewith (collectively, the "Lease Documents"). Each Schedule, incorporating the terms and conditions of this Lease, will constitute a separate instrument of lease. The term of lease with respect to each item of Equipment leased under a Schedule shall commence on the date of execution of such Schedule and continue for the term provided in that Schedule.

2. RENT. Lessee shall pay Lessor (a) the rental installments ("Basic Rent") as and when specified in each Schedule, without demand, and (b) all of the other amounts payable in accordance with this Lease, such Schedule and/or any of the other Lease Documents ("Other Payments", and together with the Basic Rent, collectively, the "Rent"). Upon Lessee's execution thereof, the related Schedule shall constitute a non-cancelable net lease, and Lessee's obligation to pay Rent, and otherwise to perform its obligations under or with respect to such Schedule and all of the other Lease Documents, are and shall be absolute and unconditional and shall not be affected by any circumstances whatsoever, including any right of setoff, counterclaim, recoupment, deduction, defense or other right which Lessee may have against Lessor, the manufacturer or vendor of the Equipment (the "Suppliers"), or anyone else, for any reason whatsoever (each, an "Abatement"). Lessee agrees that all Rent shall be paid in accordance with Lessor's or Assignee's written direction. Time is of the essence. If any Rent is not paid within five (5) days of the due date, Lessor may collect, and Lessee agrees to pay, interest (accruing at the "Late Charge Rate" specified in the related Schedule) with respect to the amount in arrears for the period such amount remains unpaid (the "Late Charge").

3. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LESSEE. Lessee represents, warrants and agrees that, as of the effective date of this Lease and of each Schedule: (a) Lessee has the form of business organization indicated, and is and will remain duly organized and existing in good standing under the laws of the state specified, under Lessee's signature and is duly qualified to do business wherever necessary to perform its obligations under the Lease Documents, including each jurisdiction in which the Equipment is or will be located. Lessee's legal name is as shown in the preamble of this Lease; and Lessee's Federal Employer Identification Number and organizational number are as set forth under Lessee's signature. Within the previous six (6) years, Lessee has not changed its name, done business under any other name, or merged or been the surviving entity of any merger, except as disclosed to Lessor in writing. (b) The Lease Documents (1) have been duly authorized by all necessary action consistent with Lessee's form of organization, (2) do not require the approval of, or giving notice to, any governmental authority, (3) do not contravene or constitute a default under any applicable law, Lessee's organizational documents, or any agreement, indenture, or other instrument to which Lessee is a party or by which it may be bound, and (4) constitute legal, valid and binding obligations of Lessee enforceable against Lessee, in accordance with the terms thereof. (c) There are no pending actions or proceedings to which Lessee is a party, and there are no other pending or threatened actions or proceedings of which Lessee has knowledge, before any court, arbitrator or administrative agency, which, either individually or in the aggregate, would have a Material Adverse Effect. As used herein, "Material Adverse Effect" shall mean (i) a materially adverse effect on the business, condition (financial or otherwise), operations, performance or properties of Lessee, or (ii) a material impairment of the ability of Lessee to perform its obligations under or remain in compliance with such Schedule or any of the other Lease Documents. Further, Lessee is not in default under any financial or other material agreement that, either individually, or in
the aggregate, would have the same such effect. (d) All of the Equipment covered by such Schedule is located solely in
the jurisdiction(s) specified in such Schedule. (e) Under the applicable laws of each such jurisdiction, such Equipment
consists (and shall continue to consist) solely of personal property and not fixtures. Such Equipment is removable from
and is not essential to the premises at which it is located. (f) The financial statements of Lessee (copies of which have
been furnished to Lessor) have been prepared in accordance with generally accepted accounting principles consistently
applied ("GAAP"), and fairly present Lessee's financial condition and the results of its operations as of the date of and for
the period covered by such statements, and since the date of such statements there has been no material adverse
change in such conditions or operations. (g) With respect to any Collateral, Lessee has good title to, rights in, and/or
power to transfer all of the same. (h) The Supplier is not an affiliate of Lessee. (i) The Supply Contract (as such term is
hereinafter defined) represents an arms' length transaction and the purchase price for the Equipment specified therein is
the amount obtainable in an arms' length transaction between a willing and informed buyer and a willing and informed
seller under no compulsion to sell.

4. FURTHER ASSURANCES AND OTHER COVENANTS. Lessee agrees as follows: (a) Lessee will furnish Lessor
with (1) Lessee's balance sheet, statement of income and statement of retained earnings, prepared in accordance with
GAAP, certified by a recognized firm of certified public accountants, within one hundred twenty (120) days of the close of
each fiscal year of Lessee, (2) Lessee's quarterly financial report certified by the chief financial officer of Lessee, within
sixty (60) days of the close of each fiscal quarter of Lessee, and (3) all of Lessee's Forms 10-K and 10-Q, if any, filed with
the Securities and Exchange Commission ("SEC") as and when filed (by furnishing these SEC forms, or making them
publicly available in electronic form, Lessee shall be deemed to have satisfied the requirements of clauses (1), (2) and
(3)). (b) Lessee shall obtain and deliver to Lessor and/or promptly execute or otherwise authenticate any documents, filings,
waivers (including any landlord and mortgagee waivers), releases and other records, and will take such further action as
Lessor may reasonably request in furtherance of Lessor's rights under any of the Lease Documents. Lessee irrevocably
authorizes Lessor to file UCC financing statements ("UCCs"), and other filings with respect to the Equipment or any
Collateral. Without Lessor's prior written consent, Lessee agrees not to file any corrective or termination statements or
partial releases with respect to any UCCs filed by Lessor pursuant to this Lease. (c) Lessee shall provide written notice to
Lessor: (1) thirty (30) days prior to any change in Lessee's name or jurisdiction or form of organization; (2) promptly upon
the occurrence of any Event of Default (as defined in Section 15) or event which, with the lapse of time or the giving of
notice, or both, would become an Event of Default (a "Default"); and (3) promptly upon Lessee becoming aware of any
alleged violation of applicable law relating to the Equipment or this Lease.

[OPTIONAL: USE ONLY IF FINANCIAL COVENANTS ARE INCLUDED]

(d) At all times during the term of each Schedule, Lessee shall: [INSERT FINANCIAL COVENANTS]. (e) Concurrently
with delivery of the financial statements referenced in Section 4(a)(1) and (2) hereof, Lessee shall deliver to Lessor a
certificate executed by the chief financial officer of Lessee confirming Lessee's compliance with the financial covenants
specified in Section 4(d), including the information necessary to substantiate such compliance.

[STANDARD]

5. CONDITIONS PRECEDENT. Lessor's agreement to purchase and lease any Equipment under a Schedule, is
conditioned upon Lessor's determination that all of the following have been satisfied: (a) Lessor having received the
following, in form and substance reasonably satisfactory to Lessor: (1) evidence as to due compliance with the insurance
provisions of Section 11; (2) if requested, lien searches in the jurisdiction of Lessee's organization, and wherever else
Lessor deems appropriate; (3) UCCs, real property waivers and all other filings required by Lessor; (4) a certificate of an
appropriate officer of Lessee certifying: (A) resolutions duly authorizing the transactions contemplated in the applicable
Lease Documents, and (B) the incumbency and signature of the officers of Lessee authorized to execute such documents;
(5) if requested by Lessor, an opinion of counsel for Lessee as to each of the matters set forth in sub-parts (a) through (c)
of Section 3; (6) the only manually executed original of the Schedule, and counterpart originals of all other
Lease Documents; (7) all purchase documents pertaining to the Equipment (collectively, the "Supply Contract"); (8) if
requested by Lessor, good standing certificates from the jurisdiction of Lessee's organization and the location of the
Equipment, and evidence of Lessee's organizational number; and (9) such other documents, agreements, instruments,
certificates, opinions, and assurances, as Lessor reasonably may require. (b) All representations and warranties provided
by Lessee in favor of Lessor in any of the Lease Documents shall be true and correct on the effective date of the related
Schedule (Lessee's execution and delivery of the Schedule shall constitute Lessee's acknowledgment of the same). (c)
There shall be no Default or Event of Default under the Schedule or any other Lease Documents. The Equipment shall
have been delivered to and accepted by Lessee, as evidenced by the Schedule, and shall be in the condition and repair
required hereby; and on the effective date of such Schedule Lessor shall have received good title to the Equipment
described therein, free and clear of any claims, liens, attachments, rights of others and legal processes ("Liens").
6. ACCEPTANCE UNDER LEASE. Lessor hereby appoints Lessee as Lessor's agent for the sole purpose of accepting delivery of the Equipment from the Supplier. Upon delivery, Lessee shall inspect and, if conforming to the condition required by the applicable Supply Contract, accept the Equipment and execute and deliver to Lessor a Schedule describing such Equipment. The Schedule will evidence Lessee's unconditional and irrevocable acceptance under the Schedule of the Equipment described therein. However, if Lessee fails to accept delivery of any item of the Equipment, or accepts such Equipment but fails to satisfy any or all of the other conditions set forth in Section 5, Lessor shall have no obligation to purchase or lease such Equipment. In such event, Lessor's rights shall include, among other things, the right to demand that Lessee (a) fully assume all obligations as purchaser of the Equipment, with the effect of causing Lessor to be released from any liability relating thereto, (b) immediately remit to Lessor an amount sufficient to reimburse it for all advance payments, costs, taxes or other charges paid or incurred with respect to the Equipment (including any of such amounts paid by Lessor to Supplier under the Supply Contract or as a reimbursement to Lessee), together with interest at the Late Charge Rate accruing from the date or dates such amounts were paid by Lessor until indefeasibly repaid by Lessee in full, and (c) take all other actions necessary to accomplish such assumption.

7. USE AND MAINTENANCE. (a) Lessee shall (1) use the Equipment solely in the continental United States and in the conduct of its business, for the purpose for which the Equipment was designed, in a careful and proper manner, and shall not permanently discontinue use of the Equipment; (2) operate, maintain, service and repair the Equipment, and maintain all records and other materials relating thereto, (A) in accordance and consistent with (i) the Supplier's recommendations and all maintenance and operating manuals or service agreements, whenever furnished or entered into, including any subsequent amendments or replacements thereof, issued by the Supplier or service provider, (ii) the requirements of all applicable insurance policies, (iii) the Supply Contract, so as to preserve all of Lessee's and Lessor's rights thereunder, including all rights to any warranties, indemnities or other rights or remedies, (iv) all applicable laws, and (v) the prudent practice of other similar companies in the same business as Lessee, but in any event, to no lesser standard than that employed by Lessee for comparable equipment owned or leased by it; and (B) without limiting the foregoing, so as to cause the Equipment to be in good repair and operating condition and in at least the same condition as when delivered to Lessee hereunder, except for ordinary wear and tear resulting despite Lessee's full compliance with the terms hereof; (3) provide written notice to Lessor not less than thirty (30) days after any change of the location of any Equipment (or the location of the principal garage of any Equipment, to the extent that such Equipment is mobile equipment) as specified in the Equipment Schedule; and (4) not attach or incorporate the Equipment to or in any other property in such a manner that the Equipment may be deemed to have become an accession to or a part of such other property. (b) Within a reasonable time, Lessee will replace any parts of the Equipment which become worn out, lost, destroyed, damaged beyond repair or otherwise unfit for use, by new or reconditioned replacement parts which are free and clear of all Liens and have a value, utility and remaining useful life at least equal to the parts replaced (assuming that they were in the condition required by this Lease). Any modification or addition to the Equipment that is required by this Lease shall be made by Lessee. Title to all such parts, modifications and additions to the Equipment immediately shall vest in Lessor, without any further action by Lessor or any other person, and they shall be deemed incorporated in the Equipment for all purposes of the related Schedule. Unless replaced in accordance with this Section, Lessee shall not remove any parts originally or from time to time attached to the Equipment, if such parts are essential to the operation of the Equipment, are required by any other provision of this Lease or cannot be detached from the Equipment without materially interfering with the operation of the Equipment or adversely affecting the value, utility and remaining useful life which the Equipment would have had without the addition of such parts. Except as permitted in this Section, Lessee shall not make any material alterations to the Equipment. (c) Upon forty-eight (48) hours' notice, Lessee shall afford Lessor and/or its designated representatives access to the premises where the Equipment is located for the purpose of inspecting such Equipment and all applicable maintenance or other records relating thereto at any reasonable time during normal business hours; provided, however, if a Default or Event of Default shall have occurred and then be continuing, no notice of any inspection by Lessor shall be required. If any discrepancies are found as they pertain to the general condition of the Equipment, Lessor will communicate these discrepancies to Lessee in writing. Lessee shall then have thirty (30) days to rectify these discrepancies at its sole expense. Lessee shall pay all expenses of a re-inspection by Lessor's appointed representative, if corrective measures were required.

8. DISCLAIMER; QUIET ENJOYMENT. (a) THE EQUIPMENT IS LEASED HEREUNDER "AS IS, WHERE IS". LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE EQUIPMENT, INCLUDING ANY PART, OR ANY MATTER WHATSOEVER, INCLUDING, AS TO EACH ITEM OF EQUIPMENT, ITS DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, TITLE, ABSENCE OF ANY PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT OR LATENT DEFECT (WHETHER OR NOT DISCOVERABLE BY LESSEE), COMPLIANCE OF SUCH ITEM WITH ANY APPLICABLE LAW, CONFORMITY OF SUCH ITEM TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE DOCUMENT OR TO THE DESCRIPTION SET FORTH IN THE RELATED SCHEDULE OR ANY OF THE OTHER LEASE DOCUMENTS, OR ANY INTERFERENCE OR INFRINGEMENT (EXCEPT AS EXPRESSLY
Lessee's right, title and interest in and to all of the following (whether now existing or hereafter created, and including any
Documents, Lessee hereby collaterally assigns, grants, and conveys to Lessor, a security interest in and lien on all of
performance and observance by Lessee of all of the provisions hereof and thereof and of all of the other Lease
the Rent and all of the other amounts from time to time outstanding with respect hereto and to each Schedule, and the
except the right to use it in accordance with the terms of the related Schedule.  (b) In order to secure the prompt payment of
Lessor pursuant to any Lease Document), and Lessee shall not acquire any right, title or interest in or to such Equipment
or retention of a security interest; and (2) Lessor is and shall remain the owner of each item of Equipment (unless sold by
terms of this Lease, constitutes a true “lease” and a “finance lease” as such terms are defined in Article 2A and not a sale
true “lease”, the parties agree that in such event Lessee agrees that: (1) with respect to the Equipment, in addition to all of
fully and indefeasibly discharged.  (c) If contrary to the parties’ intentions a court determines that any Schedule is not a
other collateral, in each such case in which Lessee shall from time to time acquire an interest; and (3) any and all
Collateral (“Collateral”): (1) (if contrary to the parties’ intentions a court determines that such Schedule is not a true “lease” under the UCC) the Equipment described in such Schedule or otherwise covered thereby (including all inventory, fixtures or other property comprising the Equipment), together with all related software (embedded therein or otherwise) and general intangibles, all additions, attachments, accessories and accessions thereto whether or not furnished by the Supplier; (2) all subleases, chattel paper, accounts, security deposits, and general intangibles relating thereto, and any and all substitutions, replacements or exchanges for any such item of Equipment or other collateral, in each such case in which Lessee shall from time to time acquire an interest; and (3) any and all insurance and/or other proceeds of the property and other collateral in and against which a security interest is granted hereunder.  The collateral assignment, security interest and lien granted herein shall survive the termination, cancellation or expiration of each Schedule until such time as Lessee’s obligations thereunder and under the other Lease Documents are fully and indefeasibly discharged. (c) If contrary to the parties’ intentions a court determines that any Schedule is not a true “lease”, the parties agree that in such event Lessee agrees that: (1) with respect to the Equipment, in addition to all of the other rights and remedies available to Lessor hereunder upon the occurrence of a Default, Lessor shall have all of the rights and remedies of a first priority secured party under the UCC; and (2) any obligation to pay Basic Rent or any Other Payment, to the extent constituting the payment of interest, shall be at an interest rate that is equal to the lesser of the maximum lawful rate permitted by applicable law or the effective interest rate used by Lessor in calculating such amounts.

9. FEES AND TAXES. Lessee agrees to: (a) (1) if permitted by law, file in Lessee’s own name or on Lessor’s behalf, directly with all appropriate taxing authorities all declarations, returns, inventories and other documentation with respect to any personal property taxes (or any other taxes in the nature of or imposed in lieu of property taxes) due or to become due with respect to the Equipment, and if not so permitted by law, to promptly notify Lessor and provide it with all information required in order for Lessor to timely file all such declarations, returns, inventories, or other documentation, and (2) pay on or before the date when due all such taxes assessed, billed or otherwise payable with respect to the Equipment directly to the appropriate taxing authorities; (b) (1) pay when due as requested by Lessor, and (2) defend and indemnify Lessor on a net after-tax basis against liability for all license and/or registration fees, assessments, and sales, use, property, excise, privilege, value added and other taxes or other charges or fees now or hereafter imposed by any governmental body or agency upon the Equipment or with respect to the manufacture, shipment, purchase, ownership, delivery, installation, leasing, operation, possession, use, return, or other disposition thereof or the Rent hereunder (other than taxes on or measured solely by the net income of Lessor); and (c) indemnify Lessor against any penalties, charges, interest or costs imposed with respect to any items referred to in clauses (a) and (b) above (the items referred to in clauses (a), (b), and (c) above being referred to herein as “Impositions”). Any Impositions which are not paid when due and which are paid by Lessor shall, at Lessor's option, become immediately due from Lessee to Lessor.

10. TITLE; GRANTING CLAUSE. (a) Lessee and Lessor intend that: (1) each Schedule, incorporating by reference the terms of this Lease, constitutes a true "lease" and a "finance lease" as such terms are defined in Article 2A and not a sale or retention of a security interest; and (2) Lessor is and shall remain the owner of each item of Equipment (unless sold by Lessor pursuant to any Lease Document), and Lessee shall not acquire any right, title or interest in or to such Equipment except the right to use it in accordance with the terms of the related Schedule.  (b) In order to secure the prompt payment of the Rent and all of the other amounts from time to time outstanding with respect hereto and to each Schedule, and the performance and observance by Lessee of all of the provisions hereof and thereof and of all of the other Lease Documents, Lessee hereby collaterally assigns, grants, and conveys to Lessor, a security interest in and lien on all of Lessee's right, title and interest in and to all of the following (whether now existing or hereafter created, and including any other collateral described on any rider hereeto; the “Collateral”): (1) (if contrary to the parties' intentions a court determines that such Schedule is not a true "lease" under the UCC) the Equipment described in such Schedule or otherwise covered thereby (including all inventory, fixtures or other property comprising the Equipment), together with all related software (embedded therein or otherwise) and general intangibles, all additions, attachments, accessories and accessions thereto whether or not furnished by the Supplier; (2) all subleases, chattel paper, accounts, security deposits, and general intangibles relating thereto, and any and all substitutions, replacements or exchanges for any such item of Equipment or other collateral, in each such case in which Lessee shall from time to time acquire an interest; and (3) any and all insurance and/or other proceeds of the property and other collateral in and against which a security interest is granted hereunder.  The collateral assignment, security interest and lien granted herein shall survive the termination, cancellation or expiration of each Schedule until such time as Lessee's obligations thereunder and under the other Lease Documents are fully and indefeasibly discharged. (c) If contrary to the parties' intentions a court determines that any Schedule is not a true “lease”, the parties agree that in such event Lessee agrees that: (1) with respect to the Equipment, in addition to all of the other rights and remedies available to Lessor hereunder upon the occurrence of a Default, Lessor shall have all of the rights and remedies of a first priority secured party under the UCC; and (2) any obligation to pay Basic Rent or any Other Payment, to the extent constituting the payment of interest, shall be at an interest rate that is equal to the lesser of the maximum lawful rate permitted by applicable law or the effective interest rate used by Lessor in calculating such amounts.
11. **INSURANCE.** Upon acceptance under a Schedule, until the Equipment is returned to Lessor in accordance with this Lease, Lessee shall maintain all-risk insurance coverage with respect to the Equipment insuring against, among other things: (a) any casualty to the Equipment (or any portion thereof), including loss or damage due to fire and the risks normally included in extended coverage, malicious mischief and vandalism, for not less than the full replacement value of the Equipment; and (b) any commercial liability arising in connection with the Equipment, including both bodily injury and property damage with a combined single limit per occurrence of not less than the amount specified in the Schedule; having a deductible reasonably satisfactory to Lessor. The required insurance policies (including endorsements) shall (i) be in form and amount reasonably satisfactory to Lessor, and written by insurers of recognized reputation and responsibility satisfactory to Lessor (but such insurer shall carry a current rating by A.M. Best Company of at least "A" for a general policyholder and a financial rating of at least "VIII"), (ii) be endorsed to name Lessor as an additional insured (but without responsibility for premiums), (iii) provide that any amount payable under the required casualty coverage shall be paid directly to Lessor as sole loss payee, (iv) provide for thirty (30) days' written notice by such insurer of cancellation, material change, or non-renewal; and (v) provide that in respect of the interests of Lessor in such policies, the insurance shall not be invalidated by any action or inaction of Lessee or any other person operating or in possession of the Equipment regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessee or any other person operating or in possession of the Equipment. Lessee agrees that it shall obtain and maintain such other coverages (including pollution coverage), or cause adjustments to be made to the scope, amount or other aspects of the existing coverages, promptly upon Lessor’s request, as and when Lessor deems such additional coverages or modifications to be appropriate in light of any changes in applicable law, prudent industry practices, Lessee’s anticipated use of the Equipment or other pertinent circumstances.

12. **LOSS AND DAMAGE.** (a) At all times until the Equipment is returned to Lessor in accordance with this Lease, Lessee shall bear the risk of loss, theft, confiscation, taking, unavailability, damage or partial destruction of the Equipment and shall not be released from its obligations under any Schedule or other Lease Document in any such event. (b) Lessee shall provide prompt written notice to Lessor of any Total Loss or any material damage to the Equipment. Any such notice must be provided together with any damage reports provided to any governmental authority, the insurer or Supplier, and any documents pertaining to the repair of such damage, including copies of work orders, and all invoices for related charges. (c) Without limiting any other provision hereof, Lessee shall repair all damage to any item of Equipment from any and all causes, other than a Total Loss, so as to cause it to be in the condition and repair required by this Lease. (d) A “**Total Loss**” shall be deemed to have occurred to an item of Equipment upon: (1) the actual or constructive total loss of any item of the Equipment, (2) the loss, disappearance, theft or destruction of any item of the Equipment, or damage to any item of the Equipment that is uneconomical to repair or renders it unfit for normal use, or (3) the condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to or use of any item of the Equipment or the imposition of any Lien thereon by any governmental authority. On the next rent payment date following a Total Loss (a “**Loss Payment Date**”), Lessee shall pay to Lessor the Basic Rent due on that date plus the Stipulated Loss Value of the item or items of the Equipment with respect to which the Total Loss has occurred (the “**Lost Equipment**”), together with any Other Payments due hereunder with respect to the Lost Equipment. Upon making such payment, (i) Lessee’s obligation to pay future Basic Rent shall terminate solely with respect to the items of Lost Equipment so paid for, but Lessee shall remain liable for, and pay as and when due, all Other Payments, and (ii) Lessor shall convey to Lessee all of Lessor’s right, title and interest in the Lost Equipment, “**AS IS WHERE IS**”, but subject to the requirements of any third party insurance carrier in order to settle an insurance claim. As used in this Lease, “**Stipulated Loss Value**” shall mean the product of the Total Invoice Cost of the Lost Equipment, times the percentage factor applicable to the Loss Payment Date, as set forth in the Schedule of Stipulated Loss Values incorporated in such Schedule. After the final rent payment date of the original term or any renewal term of a Schedule, the Stipulated Loss Value shall be determined as of the last rent payment date during the applicable term of such Schedule, and the applicable percentage factor shall be the last percentage factor set forth in the Schedule of Stipulated Loss Values incorporated in such Schedule. (e) Lessor shall be under no duty to Lessee to pursue any claim against any person in connection with a Total Loss or other loss or damage. (f) If Lessor receives a payment under an insurance policy required under this Lease in connection with any Total Loss or other loss of or damage to an item of Equipment, and such payment is both unconditional and indefeasible, then provided Lessee shall have complied with the applicable provisions of this Section, Lessor shall either (1) if received pursuant to a Total Loss, remit such proceeds to Lessee up to an amount equal to the amount paid by Lessee to Lessor as the Stipulated Loss Value, or credit such proceeds against any amounts owed by Lessee pursuant to Section 12(d), or (2) if received with respect to repairs made pursuant to Section 12(c), remit such proceeds to Lessee up to an amount equal to the amount of the costs of repair actually incurred by Lessee, as established to Lessor’s satisfaction.

[ALTERNATIVE]
if received with respect to repairs to be made pursuant to Section 12(c), remit such proceeds to Lessee up to an amount equal to the amount of the costs of repair.

13. REDELIVERY. (a) Lessee shall provide written notice to Lessor not less than one hundred eighty (180) days and not more than two hundred forty (240) days prior to the expiration of the term of any Schedule (or of any renewal thereof, if applicable) of Lessee’s intent to return the Equipment to Lessor upon the expiration of the term of such Schedule. IF LESSEE FAILS TO PROVIDE THE FOREGOING NOTICE IN A TIMELY MANNER, THE TERM OF THE APPLICABLE SCHEDULE AUTOMATICALLY SHALL BE DEEMED TO HAVE BEEN EXTENDED, WHICH EXTENSION SHALL CONTINUE UNTIL ONE HUNDRED EIGHTY (180) DAYS AFTER THE DATE ON WHICH LESSEE PROVIDES THE REQUIRED NOTICE, DURING WHICH EXTENSION PERIOD LESSEE SHALL CONTINUE TO PAY TO LESSOR PER DIEM RENT AT THE LAST PREVAILING LEASE RATE UNDER THE APPLICABLE SCHEDULE; provided, however that Lessor may elect to terminate such extension at any time upon ten (10) days written notice to Lessee. During such extension period, the terms and conditions of this Lease (including, without limitation, the provisions of this Section 13) shall continue to be applicable. Solely for purposes of the definition of Stipulated Loss Value in Section 12(d) hereof, any such extension shall be deemed a renewal of the term of such Schedule. (b) Upon the expiration or earlier cancellation or termination of any Schedule, Lessee shall return the Equipment to Lessor free and clear of all Liens whatsoever, to such place(s) within the continental United States as Lessor shall specify.

within five hundred (500) miles of the location to which the Equipment was originally delivered or to which the Equipment was relocated in accordance with the terms of the Lease, as Lessor shall specify

Lessee shall provide, at its expense, transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment and Lessor shall be named as the loss payee on all such policies of insurance. Lessee shall cause: (1) the Supplier’s representative or other qualified person acceptable to Lessor (the “Designated Person”) to de-install the Equipment in accordance with the Supplier’s specifications (as applicable) and pack the Equipment properly and in accordance with the Supplier’s recommendations (as applicable); and (2) the Equipment to be transported in a manner consistent with the Supplier’s recommendations and practices (as applicable). Upon return, the Equipment shall be: (i) in the same condition as when delivered to Lessee under the related Schedule, ordinary wear and tear excepted; (ii) mechanically and structurally sound, capable of performing the functions for which the Equipment was originally designed, in accordance with the Supplier’s published and recommended specifications (as applicable); (iii) redelivered with all component parts in good operating condition (and all components must meet or exceed the Supplier’s minimum recommended specifications, unless otherwise agreed by Lessor in writing); and (iv) cleaned and cosmetically acceptable, with all Lessee-installed markings removed and all rust, corrosion or other contamination having been removed or properly treated, and in such condition so that it may be immediately installed and placed in service by a third party. Upon delivery, the Equipment shall be in compliance with all applicable Federal, state and local laws, and health and safety guidelines. Lessee shall be responsible for the cost of all repairs, alterations, inspections, appraisals, storage charges, insurance costs, demonstration costs and other related costs necessary to cause the Equipment to be in full compliance with the terms of this Lease. (c) If requested by Lessor, Lessee shall also deliver all related records and other data to Lessor, including all records of maintenance, modifications, additions and major repairs, computerized maintenance history, and any maintenance and repair manuals (collectively, the “Records”). All manuals or other documents delivered to Lessor that are subject to periodic revision will be fully up-to-date and current to the latest revision standard of any particular manual or document. In the event any such Records are missing or incomplete, Lessor shall have the right to cause the same to be reconstructed at Lessee’s expense. (d) In addition to Lessor’s other rights and remedies hereunder, if the Equipment and the related Records are not returned in a timely fashion, or if repairs are necessary to place any item of Equipment in the condition required in this Section, Lessee shall (i) continue to pay to Lessor per diem rent at the last prevailing lease rate under the applicable Schedule with respect to such item of Equipment, for the period of delay in
redelivery, and/or for the period of time reasonably necessary to accomplish such repairs, and (ii) pay to Lessor an amount equal to the aggregate cost of any such repairs. Lessor's acceptance of such rent on account of such delay and/or repair does not constitute an extension or renewal of the term of the related Schedule or a waiver of Lessor's right to prompt return of the Equipment in proper condition. Such amount shall be payable upon the earlier of Lessor's demand or the return of the Equipment in accordance with this Lease. (e) Without limiting any other terms or conditions of this Lease, the provisions of this Section are of the essence of each Schedule, and upon application to any court of equity having jurisdiction, Lessor shall be entitled to a decree against Lessee requiring Lessee's specific performance of its agreements in this Section.

14. INDEMNITY. Lessee shall indemnify, defend and keep harmless Lessor and any Assignee (as defined in Section 17), and their respective agents and employees (each, an "Indemnitee"), from and against any and all Claims (other than such as may directly and proximately result from the actual, but not imputed, gross negligence or willful misconduct of such Indemnitee), by paying, on a net after-tax basis, or otherwise discharging same, when and as such Claims shall become due. Lessee agrees that the indemnity provided for in this Section includes the agreement by Lessee to indemnify each Indemnitee from the consequences of its own simple negligence, whether that negligence is the sole or concurring cause of the Claims, and to further indemnify each such Indemnitee with respect to Claims for which such Indemnitee is strictly liable. Lessor shall give Lessee prompt notice of any Claim hereby indemnified against and Lessee shall be entitled to control the defense of and/or to settle any Claim, in each case, so long as (a) no Default or Event of Default has occurred and is then continuing, (b) Lessee confirms, in writing, its unconditional and irrevocable commitment to indemnify each Indemnitee with respect to such Claim, (c) Lessee is financially capable of satisfying its obligations under this Section, and (d) Lessor approves the defense counsel selected by Lessee. The term "Claims" shall mean all claims, allegations, harms, judgments, settlements, suits, actions, debts, obligations, damages (whether incidental, consequential or direct), demands (for compensation, indemnification, reimbursement or otherwise), losses, penalties, fines, liabilities (including strict liability), charges that Lessor has incurred or for which it is responsible, in the nature of interest, Liens, and costs (including attorneys' fees and disbursements and any other legal or non-legal expenses of investigation or defense of any Claim, whether or not such Claim is ultimately defeated or enforcing the rights, remedies or indemnities provided for hereunder, or otherwise available at law or equity to Lessor), of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, by or against any person, arising on account of (1) any Lease Document, including the performance, breach (including any Default or Event of Default) or enforcement of any of the terms thereof, or (2) the Equipment, or any part or other contents thereof, any substance at any time contained therein or emitted therefrom, including any hazardous substances, or the premises at which the Equipment may be located from time to time, or (3) the ordering, acquisition, delivery, installation or rejection of the Equipment, the possession or any property to which it may be attached from time to time, maintenance, use, condition, ownership or operation of any item of Equipment, and by whomsoever owned, used, possessed or operated, during the term of any Schedule with respect to that item of Equipment, the existence of latent and other defects (whether or not discoverable by Lessor or Lessee) any claim in tort for negligence or strict liability, and any claim for patent, trademark or copyright infringement, or the loss, damage, destruction, theft, removal, return, surrender, sale or other disposition of the Equipment, or any item thereof, including, Claims involving or alleging environmental damage, or any criminal or terrorist act, or for whatever other reason whatsoever. If any Claim is made against Lessee or an Indemnitee, the party receiving notice of such Claim shall promptly notify the other, but the failure of the party receiving notice to so notify the other shall not relieve Lessee of any obligation hereunder.

15. DEFAULT. A default shall be deemed to have occurred hereunder and under a Schedule upon the occurrence of any of the following (each, an "Event of Default"): (a) non-payment of Basic Rent on the applicable rent payment date; (b) non-payment of any Other Payment within five (5) days after it is due; (c) failure to maintain, use or operate the Equipment in compliance with applicable law; (d) failure to obtain, maintain and comply with all of the insurance coverages required under this Lease; (e) any transfer or encumbrance, or the existence of any Lien, that is prohibited by this Lease; (f) a payment or other default by Lessee under any loan, lease, guaranty or other financial obligation to Lessor or its affiliates which default entitles the other party to such obligation to exercise remedies; (g) a payment or other default by Lessee under any material loan, lease, guaranty or other material financial obligation to any third party which default has been declared; (h) an inaccuracy in any representation or breach of warranty by Lessee (including any false or misleading representation or warranty) in any financial statement or Lease Document, including any omission of any substantial contingent or unliquidated liability or Claim against Lessee; (i) the commencement of any bankruptcy, insolvency, receivership or similar proceeding by or against Lessee or any of its properties or business (unless, if involuntary, the proceeding is dismissed within sixty (60) days of the filing thereof) or the rejection of this Lease or any other Lease Document in any such proceeding; (j) the failure by Lessee generally to pay its debts as they become due or its admission in writing of its inability to pay the same; (k) Lessee shall (1) enter into any transaction of merger or consolidation, unless Lessee shall be the surviving entity (such actions being referred to as an "Event"), unless the surviving entity is organized and existing under the laws of the United States or any state, and prior to such Event: (A) such person executes and delivers to Lessor (x) an agreement satisfactory to Lessor, in its sole discretion, containing such person's effective assumption, and its agreement to pay,
perform, comply with and otherwise be liable for, in a due and punctual manner, all of Lessee's obligations having previously arisen, or then or thereafter arising, under any and all of the Lease Documents, and (y) any and all other documents, agreements, instruments, certificates, opinions and filings requested by Lessor; and (B) Lessee is satisfied as to the creditworthiness of such person, and as to such person's conformance to the other standard criteria then used by Lessor when approving transactions similar to the transactions contemplated in this Lease; (2) cease to do business as a going concern, liquidate, or dissolve; or (3) sell, transfer, or otherwise dispose of all or substantially all of its assets or property; (l) if Lessee is privately held and effective control of Lessee's voting capital stock/membership interests/partnership interests, issued and outstanding from time to time, is not retained by the present holders (unless Lessee shall have provided thirty (30) days' prior written notice to Lessor of the proposed disposition and Lessor shall have consented thereto in writing); (m) if Lessee is a publicly held corporation and there is a material change in the ownership of Lessee's capital stock, unless Lessor is satisfied as to the creditworthiness of Lessee and as to Lessee's conformance to the other standard criteria then used by Lessor for such purpose immediately thereafter; (n) there occurs a default or anticipatory repudiation under any guaranty executed in connection with this Lease; (o) failure to satisfy the requirements of any financial covenants set forth herein, or in any rider to this Lease or any Schedule; or (p) breach by Lessee of any other covenant, condition or agreement (other than those in items (a)-(o)) under this Lease or any of the other Lease Documents that continues for thirty (30) days after Lessor's written notice to Lessee (but such notice and cure period will not be applicable unless such breach is curable by practical means within such notice period).

16. REMEDIES. (a) If an Event of Default occurs with respect to any Schedule, the Lessor thereunder may (in its sole discretion) exercise any one or more of the following remedies with respect to such Schedule and any or all other Schedules to which such Lessor is then a party: (1) proceed at law or in equity, to enforce specifically Lessee's performance or to recover damages; (2) declare each such Schedule in default, and cancel each such Schedule or otherwise terminate Lessee's right to use the Equipment and Lessee's other rights, but not its obligations, thereunder and Lessee shall immediately assume, make available and, if Lessor requests, return the Equipment to Lessor in accordance with the terms of this Lease; (3) enter any premises where any item of Equipment is located and take immediate possession of and remove (or disable in place) such item (and/or any unattached parts) by self-help, summary proceedings or otherwise without liability; (4) use Lessee's premises for storage without liability; (5) sell, re-lease or otherwise dispose of any or all of the Equipment, whether or not in Lessor's possession, at public or private sale, with or without notice to Lessee, and apply or retain the net proceeds of such disposition, with Lessee remaining liable for any deficiency and with any excess being retained by Lessor; (6) enforce any or all of the preceding remedies with respect to any related Collateral, and apply any deposit or other cash collateral, or any proceeds of any such Collateral, at any time to reduce any amounts due to Lessor; (7) demand and recover from Lessee all Liquidated Damages and all Other Payments whenever the same shall be due; and (8) exercise any and all other remedies allowed by applicable law, including the UCC. As used herein, “Liquidated Damages” shall mean the liquidated damages (all of which, Lessee hereby acknowledges, are damages to be paid in lieu of future Basic Rent and are reasonable in light of the anticipated harm arising by reason of an Event of Default, and are not a penalty) described in the first sentence of parts (1) or (2) of Section 16(b), depending upon the recovery and disposition of the Equipment leased under the applicable Schedule.

(b) If an Event of Default occurs with respect to any Schedule, (1) if Lessor recovers the Equipment and disposes of it by a lease or elects not to dispose of the Equipment after recovery, upon demand, Lessee shall pay to Lessor an amount equal to the sum of (A) any accrued and unpaid Rent as of the date Lessor recovers possession of the Equipment, plus (B) the present value as of such date of the total Basic Rent for the then remaining term of such Schedule, minus (C) either, as applicable, (i) the present value, as of the commencement date of any substantially similar re-lease of the Equipment, or the re-lease rent payable for that period, commencing on such date, which is comparable to the then remaining term of such Schedule or (ii) the present value, as of that certain date which may be determined by taking into account Lessor's having a reasonable opportunity to remarket the Equipment, of the “market rent” for such Equipment (as computed pursuant to Article 2A) in the continental United States on that date, computed for that period, commencing on such date, which is comparable to the then remaining term of such Schedule; provided, however, Lessee acknowledges that if Lessor is unable after reasonable effort to dispose of the Equipment at a reasonable price and pursuant to other reasonable terms, or the circumstances reasonably indicate that such an effort will be unavailing, the “market rent” in such event will be deemed to be $0.00, but in the event that Lessor does eventually re-lease or otherwise dispose of the Equipment, it will apply the net proceeds of such disposition, to the extent received in good and indefeasible funds, as a credit or reimbursement, as applicable, in a manner consistent with the applicable provisions of Article 2A. Any amounts discounted to present value, shall be discounted at the rate of three percent (3%) per annum, compounded annually.

(2) If Lessee fails to return the Equipment in the manner and condition required by this Lease, or Lessor recovers and sells the Equipment, upon demand, Lessee shall pay to Lessor an amount calculated as the Stipulated Loss Value of the Equipment (determined as of the next rent payment date after the date of the occurrence of the subject Event of Default), together with all other Rent due with respect to the related Schedule as of such determination date,
any amount due from Lessee pursuant to Rider No. 1 attached to this Lease,

and all Enforcement Costs (defined in Section 16(c)), less a credit for any disposition proceeds, if applicable pursuant to the application provisions in the next sentence. If Lessor demands the Liquidated Damages under this part (2), and recovers and sells the Equipment, any proceeds received in good and indefeasible funds shall be applied by Lessor, with respect to the related Schedule: first, to pay all Enforcement Costs, to the extent not previously paid; second, to pay to Lessor an amount equal to any unpaid Rent due and payable, together with the liquidated damage amounts specified in this part (2), to the extent not previously paid; third, to pay to Lessor any interest accruing on the amounts covered by the preceding clauses, at the Late Charge Rate, from and after the date the same becomes due, through the date of payment; and fourth, (A) if the Lessor under such Schedule is also the Lessor under any other Schedules (whether by retaining the same, or as Assignee), to satisfy any remaining obligations under any or all such other Schedules, or (B) if such Lessor is not the Lessor under any other Schedule, or if Lessee's obligations to such Lessor under such other Schedules have been fully and indefeasibly satisfied, to reimburse Lessee for such amounts to the extent paid by Lessee as liquidated damages pursuant to this part (2).

(c) A cancellation of any Schedule shall occur only upon written notice by Lessor to Lessee. Unless already specifically provided for in Section 16(b), if an Event of Default occurs with respect to any Schedule, Lessee shall also be liable for all of the following ("Enforcement Costs"): (1) all unpaid Rent due before, during or after exercise of any of the foregoing remedies, and (2) all reasonable legal fees (including consultation, drafting notices or other documents, expert witness fees, sending notices or instituting, prosecuting or defending litigation or arbitration) and other enforcement costs and expenses incurred by reason of any Default or Event of Default or the exercise of Lessor's rights or remedies, including all expenses incurred in connection with the return or other recovery of any Equipment in accordance with the terms of this Lease or in placing such Equipment in the condition required hereby, or the sale, re-lease or other disposition (including but not limited to costs of transportation, possession, storage, insurance, taxes, lien removal, repair, refurbishing, advertising and brokers' fees), and all other pre-judgment and post-judgment enforcement related actions taken by Lessor or any actions taken by Lessor in any bankruptcy case involving Lessee, the Equipment, or any other person. Late Charges shall accrue with respect to any amounts payable under this Section for as long as such amounts remain outstanding, and shall be paid by Lessee upon demand. No right or remedy is exclusive and each may be used successively and cumulatively. Any failure to exercise the rights granted hereunder upon any Default or Event of Default shall not constitute a waiver of any such right. The execution of a Schedule shall not constitute a waiver by Lessor of any pre-existing Default or Event of Default. With respect to any disposition of any Equipment or Collateral pursuant to this Section, (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the same for disposition, (ii) Lessor may comply with any applicable law in connection with any such disposition, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition thereof, (iii) Lessor may disclaim any title or other warranties in connection with any disposition, and any actions taken in connection therewith shall constitute a waiver of any such right. The execution of a Schedule shall not constitute a waiver by Lessor of any pre-existing Default or Event of Default. With respect to any disposition of any Equipment or Collateral pursuant to this Section, (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the same for disposition, (ii) Lessor may comply with any applicable law in connection with any such disposition, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition thereof, (iii) Lessor may disclaim any title or other warranties in connection with any such disposition, and (iv) Lessee shall remain responsible for any deficiency remaining after Lessor's exercise of its remedies and application of any funds or credits against Lessee's obligations under any Schedule, and Lessor shall retain any excess after such application.

17. ASSIGNMENT. (a) LESSEE SHALL NOT ASSIGN, DELEGATE, TRANSFER OR ENCUMBER ANY OF ITS RIGHTS OR OBLIGATIONS HEREUNDER OR UNDER ANY SCHEDULE, OR ITS LEASEHOLD INTEREST OR ANY COLLATERAL, SUBLET THE EQUIPMENT OR OTHERWISE PERMIT THE EQUIPMENT TO BE OPERATED OR USED BY, OR TO COME INTO OR REMAIN IN THE POSSESSION OF, ANYONE BUT LESSEE. Without limiting the foregoing, (1) Lessee may not attempt to dispose of any of the Equipment, and (2) Lessee shall (A) maintain the Equipment free from all Liens, other than Permitted Liens, (B) notify Lessor immediately upon receipt of notice of any Lien affecting the Equipment, and (C) defend Lessor's title to the Equipment. A “Permitted Lien” shall mean any Lien for Impositions, Liens of mechanics, materialmen, or suppliers and similar Liens arising by operation of law, provided that any such Lien is incurred by Lessee in the ordinary course of business, for sums that are not yet delinquent or are being contested in good faith and with due diligence, by negotiations or by appropriate proceedings which suspend the collection thereof and, in Lessor's sole discretion, (i) do not involve any substantial danger of the sale, forfeiture or loss of the Equipment or any interest therein, and (ii) for the payment of which adequate assurances or security have been provided to Lessor. No disposition referred to in this Section shall relieve Lessee of its obligations, and Lessee shall remain primarily liable under each Schedule and all of the other Lease Documents. (b) Lessor may at any time with or
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without notice to Lessee grant a security interest in, sell, assign, delegate or otherwise transfer (an “Assignment”) all or any part of its interest in the Equipment, this Lease or any Schedule and any related Lease Documents or any Rent thereunder, or the right to enter into any Schedule, and Lessee shall perform all of its obligations thereunder, to the extent so transferred, for the benefit of the beneficiary of such Assignment (such beneficiary, including any successors and assigns, an “Assignee”). Lessee agrees not to assert against any Assignee any Abatement (without limiting the provisions of Section 2) or Claim that Lessee may have against Lessor, and Assignee shall not be bound by, or otherwise required to perform any of Lessor’s obligations, unless expressly assumed by such Assignee. Lessor shall be relieved of any such assumed obligations. If so directed in writing, Lessee shall pay all Rent and all other sums that become due under the assigned Schedule and other Lease Documents directly to the Assignee or any other party designated in writing by Lessor or such Assignee. Lessee acknowledges that Lessor’s right to enter into an Assignment is essential to Lessor and, accordingly, waives any restrictions under applicable law with respect to an Assignment and any related remedies. Upon the request of Lessor or any Assignee, Lessee also agrees (i) to promptly execute and deliver to Lessor or to such Assignee an acknowledgment of the Assignment in form and substance satisfactory to the requesting party, an insurance certificate and such other documents and assurances reasonably requested by Lessor or Assignee, and (ii) to comply with all other reasonable requirements of any such Assignee in connection with any such Assignment. Upon such Assignment and except as may otherwise be provided herein, all references in this Lease to “Lessor” shall include such Assignee. (c) Subject always to the foregoing, this Lease and each Schedule shall inure to the benefit of, and are binding upon, Lessee’s and Lessor’s respective successors and assigns.

18. MISCELLANEOUS. (a) This Lease, each Schedule, any Riders hereto or thereto and any commitment letter between the parties, constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and shall not be amended or modified in any manner except by a document in writing executed by both parties. (b) Any provision of this Lease that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. (c) The representations, warranties and agreements of Lessee herein shall be deemed to be continuing and to survive the execution and delivery of this Lease, each Schedule and any other Lease Documents. With respect to each Schedule, the obligations of Lessee under Sections 8, 9, 10, 12, 13 and 14 hereof, together with any of Lessee's obligations under the other provisions of this Lease (as incorporated therein) which have accrued but not been fully satisfied, performed or complied with prior to the expiration or earlier cancellation or termination of such Schedule, shall survive the expiration or earlier cancellation or termination thereof. (d) All of Lessee's obligations hereunder and under any Schedule shall be performed at Lessee's sole expense. Lessee shall reimburse Lessor promptly upon demand for all expenses incurred by Lessor in connection with (1) any action taken by Lessor at Lessee's request, or in connection with any option, (2) the filing or recording of real property waivers and UCCs, (3) any Enforcement Costs not recovered pursuant to Section 16, (4) all inspections, and (5) all lien search reports (and copies of filings) requested by Lessor. If Lessee fails to perform any of its obligations with respect to a Schedule, Lessor shall have the right, but shall not be obligated, to effect such performance, and Lessee shall reimburse Lessor, upon demand, for all expenses incurred by Lessor in connection with such performance. Lessor's effecting such compliance shall not be a waiver of Lessee's default. All amounts payable under this Section, if not paid when due, shall be paid to Lessor together with interest thereon at the Late Charge Rate. (e) Lessee irrevocably appoints Lessor as Lessee's attorney-in-fact, (which power shall be deemed coupled with an interest) to execute, endorse and deliver any documents and checks or drafts relating to or received in payment for any loss or damage under the policies of insurance required by this Lease, but only to the extent that the same relates to the Equipment. (f) LESSOR AND LESSEE HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH LESSEE AND/OR LESSOR MAY BE PARTIES ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS LEASE. (g) All notices (excluding billings and communications in the ordinary course of business) hereunder shall be in writing, personally delivered, delivered by overnight courier service, sent by facsimile transmission (with confirmation of receipt), or sent by certified mail, return receipt requested, addressed to the other party at its respective address stated below the signature of such party or at such other address as such party shall from time to time designate in writing to the other party; and shall be effective from the date of receipt. (h) This Lease shall not be effective unless and until accepted by execution by an officer of Lessor at the address, in the State of Maryland (the “State”), as set forth below the signature of Lessor. THIS LEASE AND ALL OF THE OTHER LEASE DOCUMENTS, AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER, SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF THE STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE EQUIPMENT. The parties agree that any action or proceeding arising out of or relating to this Lease may be commenced in any state or Federal court in the State, and agree that a summons and complaint commencing an action or proceeding in any such court shall be properly served and shall confer personal jurisdiction if served personally or by certified mail to it at the mailing address below Lessee’s signature, or as it may provide in writing from time to time, or as otherwise provided under the laws of the State. (i) This Lease and all of the other Lease Documents may be executed in counterparts. The
transfer or possession of the “Original” of this Lease shall be irrelevant to the full or collateral assignment of, or grant of
security interest in, any Schedule; provided, however, no security interest in any Schedule may be created through the
transfer, possession or control, as applicable, of any counterpart of such Schedule other than the original thereof, which
shall be identified as the document or record (as applicable) marked “Original” and all other counterparts shall be marked
"Duplicate". (j) If Lessor is required by the terms hereof to pay to or for the benefit of Lessee any amount received as a
refund of an Imposition or as insurance proceeds, Lessor shall not be required to pay such amount, if any Default has
occurred and not been cured or any Event of Default shall have occurred and not been waived by Lessor. In addition, if
Lessor is required by the terms hereof to cooperate with Lessee in connection with certain matters, such cooperation shall
not be required if a Default or Event of Default has then occurred and is continuing. (k) To the extent Lessor is required to
give its consent or approval with respect to any matter, the reasonableness of Lessor’s withholding of such consent shall
determine based on the then existing circumstances; provided, that Lessor’s withholding of its consent shall be
depicted reasonable for all purposes if (i) the taking of the action that is the subject of such request, might result (in
Lessor’s discretion), in (A) an impairment of Lessor’s rights, title or interests hereunder or under any Schedule or other
Lease Document, or to the Equipment, or (B) expose Lessor to any Claims or Impositions, or (ii) Lessee fails to provide
promptly to Lessor any filings, certificates, opinions or indemnities required by Lessor as a condition to such consent.

19. DEFINITIONS AND RULES OF CONSTRUCTION. (a) The following terms when used in this Lease or in any of the
Schedules have the following meanings: (1) “affiliate”: with respect to any given person, shall mean (i) each person that
directly or indirectly owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, five (5) percent or
more of the voting stock, membership interest or similar equity interest having ordinary voting power in the election of
directors or managers of such person, (ii) each person that controls, is controlled by, or is under common control with,
such person, or (iii) each of such person’s officers, directors, members, joint venturers and partners. For the purposes of
this definition, “control” of a person means the possession, directly or indirectly, of the power to direct or cause the
direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; (2)
"applicable law” or "law": any law, rule, regulation, ordinance, order, code, common law, interpretation, judgment,
directive, decree, injunction, writ, determination, award, permit or similar norm or decision of any governmental
authority; (3) “AS IS, WHERE IS”: AS IS, WHERE IS, without warranty, express or implied, with respect to any matter
whatsoever; (4) "business day": any day, other than a Saturday, Sunday, or legal holiday for commercial banks under the
laws of the state of the Lessor’s notice address; (5) "governmental authority": any federal, state, county, municipal,
regional or other governmental authority, agency, board, body, instrumentality or court, in each case, whether domestic or
foreign; (6) "person": any individual, corporation, limited liability entity, partnership, joint venture, or other legal entity or a
governmental authority, whether employed, hired, affiliated, owned, contracted with, or otherwise related or unrelated to
Lessee or Lessor; and (7) "UCC" or "Uniform Commercial Code": the Uniform Commercial Code as in effect in the State
or in any other applicable jurisdiction; and any reference to an article (including Article 2A) or section thereof shall mean
the corresponding article or section (however termed) of any such applicable version of the Uniform Commercial Code.
(b) The following terms when used herein or in any of the Schedules shall be construed as follows: (1) "herein," "hereof,
"hereunder," etc.: in, of, under, etc. this Lease or such other Lease Document in which such term appears (and not
merely in, of, under, etc. the section or provision where the reference occurs); (2) "including": means including without
limitation unless such term is followed by the words "and limited to," or similar words; and (3) "or": at least one, but not
necessarily only one, of the alternatives enumerated. Any defined term used in the singular preceded by "any" indicates
any number of the members of the relevant class. Any Lease Document or other agreement or instrument referred to
herein means such agreement or instrument as supplemented and amended from time to time. Any reference to Lessor
or Lessee shall include their permitted successors and assigns. Any reference to an applicable law shall also mean such
law as amended, superseded or replaced from time to time.

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IN WITNESS WHEREOF, the parties hereto have caused this Master Lease Agreement to be duly executed, under
seal, as of the day and year first above set forth.

THE LEASING COMPANY
Lessor

By: [SEAL] 
Name: 
Title: 

[Address]  
Facsimile: [--------]

THE MANUFACTURING COMPANY
Lessee

By: [SEAL] 
Name: 
Title: 

Address: 

Facsimile: ___

Form of Organization: 
Jurisdiction of Organization: 
Organizational No. 
Federal Employer Identification No. 