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

OF COUNSEL
URBAN A. LESTER

June 12, 1996

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

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Locomotive Lease Agreement, dated as of May 16, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents, and two (2) copies of a Chattel Paper and Equipment Purchase Agreement, a secondary document related thereto.

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

Locomotive Lease Agreement

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

Lessee: North Star Steel Company
3000 Highway 66 South
Kingman, Arizona 86402

20135
JUN 12 1996 - 11:17 AM
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INTERSTATE

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SURFACE TRANSPORTATION
BOARD
JUN 12 11 42 AM '96

Williams
Alvord

Mr. Vernon A. Williams
June 12, 1996
Page 2

Chattel Paper and Equipment Purchase Agreement

Seller Relco Locomotive, Inc
 113 Industrial Avenue
 Minooka, Illinois 60447

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

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

two (2) EMD-GP9 locomotives RE 1609 and RE 1616

Also enclosed is a check in the amount of \$42.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed documents to the undersigned

Very truly yours,



Robert W Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20425-0001

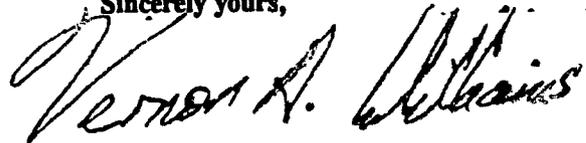
6/12/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW, Ste. 918
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/12/96 at 11:45AM, and assigned recordation number(s). 20135, 20135-A, 7706-C, 10534-E and 17634-N.

Sincerely yours,

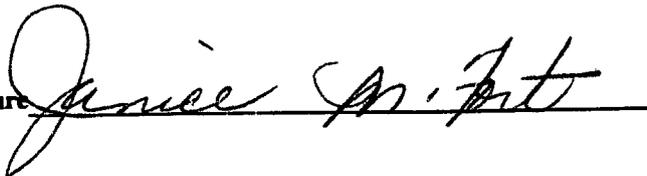


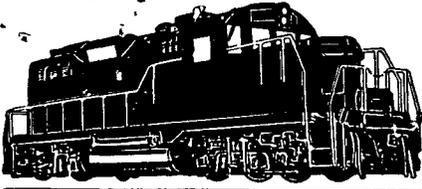
Vernon A. Williams
Secretary

Enclosure(s)

\$ 105.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature





RELCO LOCOMOTIVES, INC.

113 INDUSTRIAL AVENUE • MINOOKA, IL 60447-0058 • 815-467-3030 • FAX 815-467-3039

RECORDATION NO. 20135

LOCOMOTIVE LEASE AGREEMENT

JUN 1 8 1996 11 45 AM

THIS AGREEMENT, made and entered into this sixteenth day of May, 1995 by and between RELCO LOCOMOTIVES, INC., an Illinois Corporation, having its principle office in the city of Minooka, Illinois (hereinafter referred to as "Lessor") and NORTH STAR STEEL COMPANY, a Minnesota Corporation with a place of business at Kingman, Arizona (hereinafter referred to as the "Lessee").

WITNESSED:

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

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

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

1. LOCATION OF USE AND DESCRIPTION OF LOCOMOTIVE. Lessor leases and lets unto Lessee and Lessee accepts and takes from Lessor for use at its Kingman, AZ facility the locomotive identified as an E.M.D.-GP9, 1750 H.P., 125 ton locomotive (hereinafter referenced to as the locomotives).

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

The first payment of the base rate is due on or before the date Lessee takes possession of the aforesaid locomotive. The base monthly rental terms are net 45 days, and in addition to said base monthly rental, the Lessee shall pay to Lessor at the end of each month the fixed rate charge or hourly rate charge for each hour the Diesel engine of the locomotive was in operation during the month. The Lessee shall furnish to Lessor, not later than the first day of each month during the term of their lease, the current engine hour meter reading. In the event the locomotive is

out of service for repairs for more than one day during any month during the term of this lease, the base monthly rental charge for any such month will be reduced one thirtieth for each full day the locomotive is out of service. This credit will not apply if the repairs are necessitated by damage caused by the Lessee's negligence or abuse of the locomotive.

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

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

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

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

(c) In the event the locomotive lease agreement is canceled by the Lessee, for any reason, other than default by Lessor, before the end of the five year period (60 months), after the installation of the radio remote control, the Lessee shall pay, in full, the outstanding balance of the remaining monthly lease payments due for the radio remote control. Once the outstanding balance has been paid the remote control system shall become the property of the Lessee. However, the Lessee would be responsible for the removal of the remote control system from the leased locomotive and the restoration of the leased locomotive to its original condition prior to installation of the remote control system.

5. **MAINTENANCE BY LESSOR.** Lessor shall, at its expense, maintain the locomotive in good running condition. Lessor shall supply all replacement parts, lubricants and filters, and shall perform all major maintenance repairs, and periodic inspections, lubrications, and filter changes. For purposes of this Lease, a major maintenance repair is a repair that requires more than two man hours of work to complete.

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

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

8. **NOTICE OF DEFECTS.** Lessee shall notify Lessor promptly of any defects requiring repairs as observed by the Lessee. Lessee will permit Lessor's employees or agents on Lessee's property for the purpose of making inspections of or repairs to the locomotive.

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

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

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

(a) Default by Lessee in payment or performance of any of its obligations under this lease, which default is not resolved by Lessee within 10 days written notice of such default being given by Lessor.

(b) Voluntary assignment of Lessee's interest herein.

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

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

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

12. RISK OF LOSS AND INSURANCE.

(a) All risk of loss or damage to the locomotive shall be borne by the Lessee.

(b) Prior to the effective date of this agreement, Lessee shall cause Lessor to be named as a primary additional insured on a broad form policy of commercial comprehensive general liability insurance, issued by a company rated "A" or better by Best's Insurance Services, and otherwise reasonably acceptable to Lessor, and shall deliver to Lessor a certificate of insurance, and endorsement to the underlying policy or policies, evidencing compliance with this requirement. Said certificate and endorsement shall provide that the policy of insurance represented thereby shall not be canceled or altered without thirty (30) days notice to Lessor, and shall evidence an insurance of not less than \$5 million per occurrence, for injury, death and/or destruction of the locomotives.

It is a condition of this lease that Lessee provide Lessor with evidence of annual renewal of said insurance during the term of this lease. Lessee shall maintain such insurance during the entire term of this lease, and for a period of two years following the termination of the lease, as to matters occurring during the term of the lease.

13. **TAXES, LICENSES.** The Lessee shall pay all license fees, sales taxes, use taxes, excise taxes, personal property taxes, assessments, ad valorem taxes, stamp and documentary taxes, and all other governmental charges, fees, fines or penalties whatsoever, whether payable by the Lessor or the Lessee or others, on or relating to the possession, control, use or operation of the locomotive, and shall file all returns required therefore and furnish copies thereof to the Lessor. Upon demand, the Lessee shall reimburse the Lessor for any such taxes, assessments, charges, fines, or penalties, which the Lessor may be compelled to pay in connection with the equipment. The Lessor will cooperate with the Lessee and furnish the Lessee with any information available to the Lessor in connection with the Lessee's obligations under this paragraph.

14. **LESSOR'S INDEMNITY.**

(a) The Lessee shall indemnify, protect and hold harmless the Lessor, its agents, servants, successors and assign from and against all losses, damages, injuries, claims, demands, and expenses, including legal expenses, of whatever nature, arising out of, incident to, connected with or in any way caused by the possession, control, use or operation of the locomotive by the Lessee, its employees, agents, servants, or subcontractors, or operation of the locomotive, regardless of where, how, and by whom operated, except for any damage or loss resulting directly from the negligence of Lessor. In the event such damage or loss is caused by Lessor's direct negligence, the Lessor agrees to indemnify Lessee to take some extent of Lessee's indemnification obligations hereunder.

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

(c) The indemnities and assumptions of liabilities and obligation herein provided for shall continue in full force and effect notwithstanding the termination to the Lease Agreement, whether by expiration of time, by operation of law or otherwise, provided that the event giving rise to the indemnities or assumptions of liabilities occurred during the lease term.

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

15. **FREIGHT.** Lessee shall pay all inbound freight charges, incurred in delivery of the locomotive to the Lessee's siding. Lessor will pay the outbound freight charges when the locomotive is shipped outbound. If for any reason this Lease Agreement is terminated before it has been in effect for five year(s), and Lessor is not in default, the Lessee shall reimburse the Lessor an amount equal of the actual outbound freight charges to the destination designated by the Lessor.

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

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

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

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

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

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

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

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

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

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

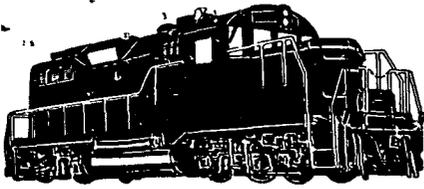
ATTEST: *John H. Wood* BY: *Paul R. Bark*

TITLE: *President*

LESSEE:
NORTH STAR STEEL COMPANY
Kingman, AZ

ATTEST: *W. Lange* BY: *James Cowan*

TITLE: *General Manager* *NSS - ARIZONA*



RELCO LOCOMOTIVES, INC

113 INDUSTRIAL AVENUE • MINOOKA, IL 60447-0058 • 815-467-3030 • FAX 815-467-3039

ADDENDUM A

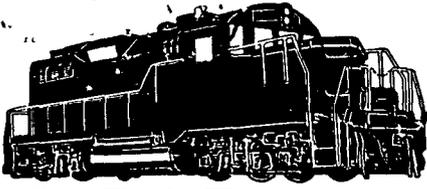
The option to operate the second GP-9 locomotive on other than a back-up basis only will remain open to your company for the term of the lease. If operating this locomotive on other than a back-up only basis, the hourly maintenance charge listed below will apply. Regardless of hours used, this hourly maintenance charge will not exceed \$3400.00. The base monthly rate of \$1800.00 will remain unchanged.

Variable Rate Structure (engine operation)

First 1 - 50 hours @	19.00/hour
Next 51-100 hours @	15.00/hour
Next 101-200 hours @	6.00/hour
Next 201-744 hours @	4.50/hour

The base monthly rate would remain fixed for the term of the lease; however the hourly/fixed maintenance charges would be adjusted annually at a rate equal to the national rate of inflation as published by the U.S. Bureau of Labor Statistics.

JC
7-28-95
AB
7/30/95



RELCO LOCOMOTIVES, INC.

113 INDUSTRIAL AVENUE • MINOOKA, IL 60447-0058 • 815-467-3030 • FAX 815-467-3039

EXHIBIT A (REVISION #1)

LOCOMOTIVE MONTHLY LEASE RATE

First E.M.D.-GP9, 1750 H.P., 125 ton locomotive to be used as primary locomotive

RE 1609

Fixed Rate Structure

Base Monthly Rate: \$1,800.00
Fixed Maintenance Charge: \$3,400.00

Second E.M.D., 1750 H.P., 125 ton locomotive.

RE 1616

Variable Rate Structure

Base Monthly Rate: \$1,800.00
Hourly Maintenance Charge: No charge if used as a back-up locomotive only when the primary locomotive is out of service due to maintenance or repair requirements as is the lessor's responsibility under paragraph 5 of the lease agreement. Otherwise variable as listed below but not to exceed \$3400.00 monthly regardless of hours used.

First 1 - 50 hours @ \$19.00/hour
Next 51 - 100 hours @ \$15.00/hour
Next 101 - 200 hours @ \$ 6.00/hour
Next 201 - 744 hours @ \$ 4.50/hour

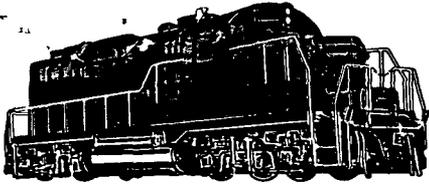
The base monthly rate would remain fixed for the term of the lease; however, the hourly/fixed maintenance charges would be adjusted annually at a rate equal to the national rate of inflation as published by the U.S. Bureau of Labor Statistics.

LOCOMOTIVE REMOTE CONTROL LEASE RATES

(2) Cattron Remote Controls

Base Monthly Rate: \$785.00 per locomotive

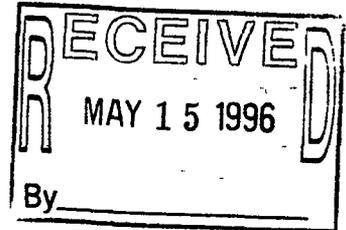
JPB 7/30/95
JC 7-28-95



RELCO LOCOMOTIVES, INC.

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

Addendum B To Lease Agreement



On this twenty-third day of April, 1996 we hereby submit the following addendum to the original lease agreement between North Star Steel company and Reico Locomotives, Inc. dated the sixteenth day of May, 1995.

The following paragraph shall be added to the said lease agreement specified above. All other terms and conditions will remain unchanged.

ASSIGNMENT OF LEASE. Lessor's right to receive rental payments and to enforce such payment rights under this Lease shall be assignable by Lessor and by its assigns without the consent of Lessee, but Lessee shall not be obligated to any assignee of Lessor except upon written notice of such assignment from Lessor or such assignee. Notwithstanding anything to the contrary contained herein, the obligation of lessee to pay Rental to such assignee shall be absolute and unconditional and shall not be affected by any circumstances whatsoever and such payment shall be made without interruption or abatement notwithstanding any event or circumstance whatsoever, including, without limitation, the bankruptcy or insolvency of Lessee or any disaffirmance of this Lease by or on behalf of Lessee, and notwithstanding any defense, setoff recoupment or counterclaim or any other right whatsoever, whether by reason of breach of this Lease or otherwise which Lessee may now or hereafter have against Lessor and whether any such event shall be by reason of any act or omission of lessor or otherwise provided however, that nothing herein contained shall effect any right of Lessee to enforce against Lessor any claim which lessee may have against Lessor in any manner other than by abatement, attachment or recoupment of interference with, or set-off, counterclaim or defense against, the aforementioned payments to be made to such assignee. Lessee's undertaking herein to pay the Rental to and to perform the other obligations of Lessee hereunder for the benefit of an assignee of Lessor shall constitute a direct, independent and unconditional obligation of Lessee to said assignee. Lessee also acknowledges and agrees that any assignee of Lessor's interest in this lease shall have the right to exercise all rights, privileges and remedies (either in its own name or in the name of Lessor) which by terms of this lease are permitted to be exercised by Lessor. "Notwithstanding any assignment of its right to receive rental payments and to enforce such payment rights under this Lease, Lessor shall remain fully obligated to perform all of its obligations as otherwise set forth in the Lease."

Addendum B To Lease Agreement

IN WITNESS WHEREOF, The Lessor and the Lessee have caused these presents to be duly executed.

LESSOR:
Relco Locomotives, Inc.
113 Industrial Avenue
Minooka, IL 60447

ATTEST: Kristina Olson

BY: Donald H. Bunker, President

LESSEE:
North Star Steel Company
3000 Hwy. 66 South
Kingman, AZ 86402

ATTEST: A. Lange
Financial Mgr

BY: James Cowan 5-9-96
General Manager

CERTIFICATE OF AUTHENTICATION

THE UNDERSIGNED HEREBY CERTIFIES that the copies of the agreements attached hereto which are listed on the attached Exhibit A are true and correct copies of those which have been delivered to Charter Financial, Inc. by Relco Locomotives, Inc. in connection with Locomotive Lease Agreement by and between Relco Locomotives, Inc., a Illinois corporation, as Lessor and North Star Steel Company.

DATED this 11th day of June, 1996

CHARTER FINANCIAL, INC

By: *Stewart Abramson* VP
Stewart Abramson

Title: Vice President

STATE OF NEW YORK, COUNTY OF NEW YORK

ss

On the 11th day of June, 1996 before me personally came Stewart Abramson to me known, who, being by me duly sworn, did depose and say that he is the Vice President of Charter Financial, Inc., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

David Choi

Notary Public

DAVID CHOI
Notary Public, State of New York
No: 41-5027218
Qualified in Queens County
Commission Expires May 2, 1998

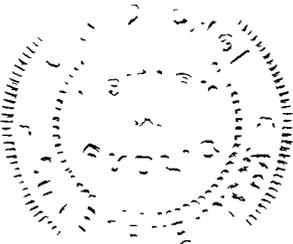


EXHIBIT A

1. Locomotive Lease Agreement
2. Addendum A
3. Exhibit A (Revision #1)
4. Addendum B to Lease Agreement