



**BANK OF BOSTON**

15321  
RECORDATION NO FILED 1423

MAY 8 1989 - 11 20 AM

May 4, 1989  
INTERSTATE COMMERCE COMMISSION

Date 5/8/89

Fee \$ 13.00

ICC Washington, D. C.

9-128A006

MAY 8 11 15 AM '89  
NOTOR OPERATING UNIT

Interstate Commerce Commission  
Room 2303  
12th Street & Constitution Avenue, N.W.  
Washington, DC 20423

Attention: Ms. Mildred Lee

Re: Providence and Worcester Railroad Company

Ladies and Gentlemen:

Enclosed for filing with the Interstate Commerce Commission (the "ICC") pursuant to Section 11303 of Title 49 of the U.S. Code are two executed and notarized originals of the document described below.

This document is a Revolving Credit and Term Loan Agreement (the "Loan Agreement"), a primary document dated May 4, 1989 between The First National Bank of Boston (the "Bank") and Providence and Worcester Railroad Company (the "Company"). The Loan Agreement includes the grant of a security interest by the Company, as debtor, in favor of the Bank, as secured party, in certain of the Company's rolling stock, equipment, and other properties and rights. A description of the rolling stock and equipment covered by the security interest grant is attached as Exhibit K to the Loan Agreement.

The names and addresses of the parties to the Loan Agreement (including the security provisions contained therein) are as follows. The Company (and the debtor under the security interest grant) is Providence and Worcester Railroad Company, whose chief executive office is located at One Depot Square, Woonsocket, Rhode Island 02895. The Bank (and the secured party under the security interest grant) is The First National Bank of Boston, whose head office is located at 100 Federal Street, Boston, Massachusetts 02110.

The property covered by the aforesaid security interest grant includes railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned by the Company as of the date of the Loan Agreement or thereafter acquired by it or its successors. The specific items covered by the security interest grant at the time of execution of the Loan Agreement are listed on Exhibit K thereto. Included in the property covered by such grant are railroad cars, rolling stock, equipment, locomotives, cranes, machinery and other property intended for use related to interstate commerce, or interests therein, owned by the Company at the date of the Loan Agreement or thereafter acquired by it or its successors as owners of railway lines.



Interstate Commerce Commission  
May 4, 1989  
Page 2

A short summary of the Loan Agreement to appear in the index is as follows:

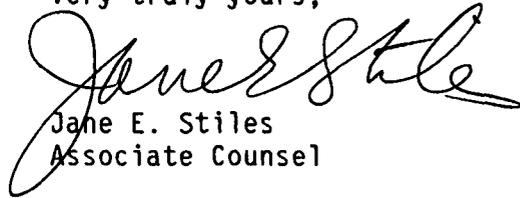
"A Revolving Credit and Term Loan Agreement (the "Loan Agreement") dated May 4, 1989 between The First National Bank of Boston (the "Bank") and Providence and Worcester Railroad Company (the "Company"), containing the grant of a security interest by the Company in favor of the Bank in certain of the Company's rolling stock, equipment and other properties and rights of the Company. A description of the rolling stock and equipment covered by the security interest grant is attached as Exhibit K to the Loan Agreement."

Also enclosed is a check in the amount of \$13.00, payable to the ICC, to cover the recording fee for the Loan Agreement.

Please acknowledge receipt of the enclosed documents by stamping and returning to the undersigned one of the Loan Agreements, together with a duplicate copy of this letter, in the enclosed stamped, self-addressed envelope.

If you have any questions, please do not hesitate to contact me at (617) 434-7600.

Very truly yours,

  
Jane E. Stiles  
Associate Counsel

RECEIVED: \_\_\_\_\_

DATE: \_\_\_\_\_

JES:ema

S:741

Enclosures

**Interstate Commerce Commission**  
Washington, D.C. 20423

5.9.89

OFFICE OF THE SECRETARY

**Jane E. Stiles**

**Associate Counsel**

**The First National Bank Of Boston**  
**Boston, Massachusetts 02106**

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 **5.8.89**, at **11:20am**, and assigned recordation number(s). **16321**

Sincerely yours,



Noreta R. McGee  
Secretary

Enclosure(s)

RECORDATION NO 16321 FILED 1463

MAY 8 1989 -11 20 AM

INTERSTATE COMMERCE COMMISSION

REVOLVING CREDIT AND TERM LOAN AGREEMENT

PROVIDENCE AND WORCESTER RAILROAD COMPANY

Dated as of May 4, 1989

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THE FIRST NATIONAL BANK OF BOSTON

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REVOLVING CREDIT AND TERM LOAN AGREEMENT

Providence and Worcester Railroad Company

Dated as of May 4, 1989

THIS REVOLVING CREDIT AND TERM LOAN AGREEMENT is made as of May 4, 1989, by and between PROVIDENCE AND WORCESTER RAILROAD COMPANY (the "Company"), a Rhode Island corporation having its principal executive office at One Depot Square, Woonsocket, Rhode Island 02895 and THE FIRST NATIONAL BANK OF BOSTON (the "Bank"), a national banking association having its head office at 100 Federal Street, Boston, Massachusetts 02110.

SECTION I

Definitions

1.1. Definitions.

All capitalized terms used in this Agreement or in the Notes or in any certificate, report or other document made or delivered pursuant to this Agreement shall have the meanings assigned to them below:

Agreement. This Agreement, as the same may be amended or supplemented from time to time.

Appraised Value of Collateral. Initially, the appraised value of the Collateral shown on the report dated March 22, 1989 by Valuation Counselors Inc. and, thereafter, the appraised value of the Collateral shown on the most recent appraiser's report obtained by the Bank pursuant to Section 5.7(ii) hereof.

Bank. See Preamble.

Base Rate. For any day during any Interest Period, the greater of (i) the rate of interest announced from time to time by the Bank at its head office as its Base Rate; or (ii) the Federal Funds Effective Rate in effect on such date plus 1/2 of 1% (rounded upwards, if necessary, to the next 1/8 of 1%).

Borrowing Base. An amount equal to the lesser of (a) the Commitment Amount or (b) seventy percent (70%) of the Net Book Value of the Equipment. Whenever the Borrowing Base is used as a measure of Loans, it shall be computed as of, and the Loans referred to shall be those outstanding at, the time in question.

Business Day. Any day on which banks in Boston, Massachusetts are not authorized or required to close.

Code. The Internal Revenue Code of 1986 and the rules and regulations thereunder, collectively, as the same may from time to time be supplemented or amended and remain in effect.

Collateral. The Equipment and all goods, instruments, documents of title, policies and certificates of insurance or other property owned by the Company or in which the Company has an interest which are now or may hereafter be in the possession, custody or control of the Bank or its assigns for any purpose; and any and all additions, substitutions, replacements, accessions, Proceeds and products thereof.

Commitment Amount. \$2,000,000.

Commitment Fee. The amount payable by the Company to the Bank pursuant to Section 2.4 hereof.

Commitment Period. The period beginning on the date of this Agreement and extending through and including the Revolving Loan Termination Date.

Company. See Preamble.

Controlled Group. All members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Code.

Default. An Event of Default or event or condition which with the passage of time or giving of notice or both would become an Event of Default.

Encumbrances. See Section 5.9.

Equipment. The tangible personal property of the Company in which the Bank has been granted a security interest pursuant hereto and which is listed on Exhibit K hereto, as the same may be added to from time to time in accordance with the provisions of Section 5.9, whether such property is now owned or existing or is owned, acquired, or arises hereafter, and any and all additions, substitutions, replacements, accessions, Proceeds and products thereof.

ERISA. The Employee Retirement Income Security Act of 1974 and the rules and regulations thereunder, collectively, as the same may from time to time be supplemented or amended and remain in effect.

Event of Default. Any event described in Section VII.

Federal Funds Effective Rate. For any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers for each day during such period, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank.

Guarantees. As applied to any Person, all guarantees, endorsements or other contingent or surety obligations with respect to obligations of others whether or not reflected on the balance sheet of such Person, including any obligation to furnish funds, directly or indirectly (whether by virtue of partnership arrangements, by agreement to keep-well or otherwise), through the purchase of goods, supplies or services, or by way of stock purchase, capital contribution, advance or loan, or to enter into a contract for any of the foregoing, for the purpose of payment of the obligations of any other Person.

Indebtedness. As applied to the Company and its Subsidiaries, (i) all obligations for borrowed money or other extensions of credit, including all obligations representing the deferred purchase price of property, other than accounts payable arising in the ordinary course of business, (ii) all obligations evidenced by bonds, notes, debentures or other similar instruments, (iii) all obligations secured by any mortgage, pledge, security interest or other lien on property owned or acquired by the Company or any of its Subsidiaries whether or not the obligations secured thereby shall have been assumed, (iv) that portion of all obligations arising under capital leases that is required to be capitalized on the consolidated balance sheet of the Company and its Subsidiaries, (v) all Guarantees, (vi) all obligations that are immediately due and payable out of the proceeds of or production from property now or hereafter owned or acquired by the Company or any of its Subsidiaries, and (vii) the present value of the total obligations under all operating leases to which the Company is a party.

Investment. As applied to the Company and its Subsidiaries, the purchase or acquisition of any share of capital stock, partnership interest, evidence of indebtedness or other equity security of any other person or entity, any loan, advance or extension of credit to, or contribution to the capital of, any other person or entity, any real estate held

for sale or investment, any commodities futures contracts held other than in connection with bona fide hedging transactions, any other investment in any other person or entity, and the making of any commitment or acquisition of any option to make an Investment.

Loan. A Revolving Loan or the Term Loan made to the Company by the Bank pursuant to Section II of this Agreement, and "Loans" means the Revolving Loans and the Term Loan or any of them.

Net Book Value of Equipment. At any date as of which the amount thereof shall be determined, the net book value of Equipment, determined in accordance with generally accepted accounting principles.

Note. The Revolving Loan Note or the Term Note, as the same may be amended from time to time, and "Notes" means the Revolving Loan Note and the Term Note or either of them.

Obligations. Any and all obligations of the Company to the Bank of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument, if any, and including obligations to perform acts and refrain from taking action as well as obligations to pay money.

PBGC. The Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

Person. A corporation, association, partnership, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

Plan. At any time, an employee pension or other benefit plan which is subject to Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group or (ii) if such Plan is established, maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Company or any member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five Plan years made contributions.

Proceeds. Whatever is received upon the sale, lease, exchange, collection or other disposition of the Collateral

including, but not limited to, all accounts, inventory, equipment, goods, money, checks, deposit accounts, and insurance proceeds.

Qualified Investments. As applied to the Company and its Subsidiaries, investments in (i) notes, bonds or other obligations of the United States of America or any agency thereof that as to principal and interest constitute direct obligations of or are guaranteed by the United States of America; (ii) certificates of deposit or other deposit instruments or accounts of banks or trust companies organized under the laws of the United States or any state thereof that have capital and surplus of at least \$100,000,000, (iii) commercial paper that is rated not less than prime-one or A-1 or their equivalents by Moody's Investor Service, Inc. or Standard & Poor's Corporation, respectively, or their successors, and (iv) any repurchase agreement secured by any one or more of the foregoing.

Revolving Loans. The Loans made to the Company pursuant to Section 2.1 of this Agreement.

Revolving Loan Note. A promissory note of the Company, substantially in the form of Exhibit B-1 hereto, evidencing the obligation of the Company to the Bank to repay the Revolving Loans.

Revolving Loan Termination Date. Initially, May 1, 1990, as such date may be extended pursuant to Section 2.7 hereof.

Subsidiary. Any corporation, association, joint stock company, business trust or other similar organization of which 50% or more of the ordinary voting power for the election of a majority of the members of the board of directors or other governing body of such entity is held or controlled by any Person or a Subsidiary of such Person; or any other such organization the management of which is directly or indirectly controlled by any Person or a Subsidiary of such Person through the exercise of voting power or otherwise; or any joint venture, whether incorporated or not, in which any Person has a 50% ownership interest.

Term Loan. The Loan made to the Company pursuant to Section 2.2 of this Agreement.

Term Loan Period. The period beginning on the Revolving Loan Termination Date and extending through and including May 1, 1994.

Term Note. A promissory note of the Company, substantially in the form of Exhibit B-2 hereto, evidencing the obligation of the Company to the Bank to repay the Term Loan.

1.2. Accounting Terms. All terms of an accounting character shall have the meanings assigned thereto by generally accepted accounting principles applied on a basis consistent with the financial statements referred to in Section 4.5 of this Agreement, modified to the extent, but only to the extent, that such meanings are specifically modified herein.

## SECTION II

### Amount and Terms of Credit

2.1. The Revolving Loans. Subject to the terms and conditions of this Agreement, the Bank agrees to make Revolving Loans to the Company from time to time until the Revolving Loan Termination Date. Each such Revolving Loan shall be in a minimum principal amount of \$100,000.00 and in integral multiples of \$10,000.00, as the Company may request, so long as the aggregate unpaid principal balance of all Revolving Loans outstanding at any time does not exceed the Borrowing Base. Loans made pursuant to this Section 2.1 may be borrowed, repaid pursuant to Section 2.8 and reborrowed until the Revolving Loan Termination Date. Any Revolving Loan not repaid by the Revolving Loan Termination Date shall be due and payable on the Revolving Loan Termination Date.

2.2. The Term Loan. Subject to the terms and conditions of this Agreement, the Bank will lend to the Company, on or before the Revolving Loan Termination Date, a Term Loan which shall not exceed, in the aggregate principal amount, the lesser of (i) the Commitment Amount and (ii) the aggregate principal amount of Revolving Loans then outstanding.

2.3. Notice and Method of Borrowing. (a) Whenever the Company desires to obtain a Revolving Loan hereunder, the Company shall notify the Bank by telex, telegraph, telecopy or telephone received no later than 11:00 a.m. (Boston, Massachusetts time) on the day on which the requested Revolving Loan is to be made, specifying (i) the date of such Revolving Loan, which shall be a Business Day and (ii) the aggregate amount of such Revolving Loan. Each notification by telephone or telex shall be immediately followed by a written confirmation thereof in the form of Exhibit A hereto provided that if such written confirmation differs in any material respect from the action taken by the Bank, and the action of the Bank is not contested by the Company within five (5) days of such action, the records of the Bank shall control absent manifest error.

(b) Unless any applicable condition specified in Section 3 has not been satisfied, not later than 12:00 p.m. (Boston, Massachusetts time) on the date of such Revolving Loan the Bank shall make available the amount of such Revolving Loan by crediting the account of the Company with the Bank.

2.4. Commitment Fee. The Company shall pay to the Bank, for the period beginning on the date of this Agreement and ending on the Revolving Credit Termination Date, an annual Commitment Fee equal to the greater of (x) \$1,250 per quarter or (y) the amount computed at the rate of one-half of one percent (1/2%) on the average daily unborrowed portion of the Commitment Amount during each quarter or portion thereof, until such time as the total Commitment Fee for each such year shall equal \$5,000; and thereafter for the remainder of each such year at the rate set forth in (y). The Commitment Fee shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on June 30, 1989, with the final payment on the last day of the Commitment Period, and shall be adjusted, if necessary, for the number of days outstanding during each period.

2.5. The Notes. (a) The Revolving Loans shall be evidenced by a single Revolving Loan Note in the form of Exhibit B-1 hereto, payable to the order of the Bank on the Revolving Loan Termination Date. The Revolving Loan Note shall be dated on or before the date of the first Revolving Loan and shall have the blanks therein appropriately completed.

(b) The Term Loan shall be evidenced by a Term Note in the form of Exhibit B-2 hereto payable to the order of the Bank on the date which is forty-eight (48) months after the Revolving Loan Termination Date.

(c) The Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule forming a part of each of the Notes appropriate notations evidencing the date and amount of each Loan to be evidenced by such Note, and the date and amount of each payment of principal made by the Company with respect thereto. The Bank is hereby irrevocably authorized by the Company to attach to and make a part of each of the Notes a continuation of any such schedule as and when required. No failure on the part of the Bank to make any endorsement of a notation as provided in this subsection (b) shall in any way affect any Loan or obligations of the Company with respect thereto.

2.6. Payments of Principal; Prepayments. (a) The Revolving Loans shall mature, and the aggregate principal amount thereof shall be due and payable, on the Revolving Loan Termination Date.

(b) The outstanding principal amount of the Term Loan shall be payable in forty eight (48) equal consecutive monthly installments commencing on the last day of each month beginning on the first of such dates occurring after the Revolving Loan Termination Date and on the last day of each month thereafter until paid in full.

(c) The Loans may be prepaid, in whole or in part, without premium or penalty, upon five (5) Business Days' notice, provided that interest accrued on the amounts so paid to the date of such prepayment must be paid at the time of such prepayment. Prepayments of the Term Loan shall be applied to installments of principal due thereunder in the inverse order of their maturities.

2.7. Extension of Revolving Loan Termination Date. The Company may extend the Revolving Loan Termination Date for successive one year periods by written notice to the Bank no later than sixty (60) days and no earlier than ninety (90) days prior to the then effective Revolving Loan Termination Date. Upon receipt of such notice, the Bank may, but shall not be obligated to, agree to such extension. If the Bank shall agree, the Bank shall notify the Company in writing, and the Revolving Loan Termination Date shall thereafter be extended for all purposes hereunder.

2.8. Interest Rates and Payments of Interest.

(a) Each Revolving Loan shall bear interest on the principal amount thereof at a rate per annum equal to the Base Rate in effect from time to time, which rate shall change contemporaneously with any change in the Base Rate. Such interest shall be payable in arrears on the last day of each month commencing on May 30, 1989 and when such Revolving Loan is due (whether at maturity, by reason of acceleration or otherwise).

(b) The Term Loan shall bear interest on the principal amount thereof at a rate per annum equal to the Base Rate in effect from time to time plus one-half of one percent (1/2%), which rate shall change contemporaneously with any change in the Base Rate. Such interest shall be payable on the last day of each month beginning on the first of such dates occurring after the Revolving Loan Termination Date and when the Term Loan is due (whether at maturity, by reason of acceleration, or otherwise).

(c) In case any law, regulation, treaty or official directive or the interpretation or application thereof by any court or by any governmental authority charged with the

administration thereof or the compliance with any guideline or request of any central bank or other governmental authority (whether or not having the force of law):

(i) subjects the Bank to any tax with respect to payments of principal or interest or any other amounts payable hereunder by the Company or otherwise with respect to the transactions contemplated hereunder (except for taxes on the overall net income of the Bank), or

(ii) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit, capital maintenance or similar requirement against assets held by, or deposits in or for the account of, or loans or commitments to make loans by, the Bank, or

(iii) imposes upon the Bank any other condition with respect to its performance under this Agreement,

and the result of any of the foregoing is to increase the cost to the Bank, reduce the income receivable by or return on equity of the Bank or impose any expense upon the Bank with respect to the Bank's commitment to make Loans or any outstanding Loans hereunder, the Bank shall notify the Company thereof. The Company agrees to pay to the Bank the amount of such increase in cost, reduction in income or return on equity or additional expense as and when such cost, reduction or expense is incurred or determined, upon presentation by the Bank of a statement of the amount and setting forth the Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error.

(d) If the Bank shall have determined that the adoption of any applicable law, rule, regulation, guideline, directive or request (whether or not having the force of law) regarding capital requirements for banks or bank holding companies, or any change therein or in the interpretation or administration thereof, or compliance by the Bank with any of the foregoing imposes or increases a requirement by the Bank to allocate capital resources to the Bank's commitment to make Loans hereunder which has or would have the effect of reducing the return on the Bank's capital to a level below that which the Bank could have achieved (taking into consideration the Bank's then existing policies with respect to capital adequacy and assuming full utilization of the Bank's capital) but for such adoption, change or compliance by any amount deemed by the Bank to be material: (i) the Bank shall promptly after its determination of such occurrence give notice thereof to the Company; and (ii) the Company shall pay to the Bank as an additional fee from time to time on demand such amount as the Bank certifies to be the amount that will compensate it for such reduction.

A certificate of the Bank claiming compensation under this Section shall be conclusive in the absence of manifest error. Such certificate shall set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to it hereunder and the method by which such amounts were determined. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(e) The Bank shall determine the interest rate applicable to the Loans hereunder in accordance with the provisions of this Agreement. The Bank shall give prompt notice to the Company of each rate of interest so determined.

2.9. Method of Payment. All payments and prepayments of principal and all payments of interest shall be made by the Company to the Bank at 100 Federal Street, Boston, Massachusetts in immediately available funds, on or before 2:00 P.M. (Boston time) on the due date thereof, free and clear of, and without any deduction or withholding for, any taxes or other payments.

2.10. Overdue Payments. Overdue principal and (to the extent permitted by applicable law) overdue interest on any Loan shall bear interest from and including the due date thereof until paid at the rate per annum which shall be at all times equal to 2% above the interest rate applicable to such Loan, which interest shall be compounded daily and payable on demand.

2.11. Computation of Interest and Fees. Interest and all fees payable hereunder shall be computed daily on the basis of a year of 360 days and paid for the actual number of days for which due. If the due date for any payment of principal is extended by operation of law, interest shall be payable for such extended time. If any payment required by this Agreement becomes due on a day which is not a Business Day such payment may be made on the next succeeding Business Day, and such extension shall be included in computing interest in connection with such payment.

2.12. Borrowing Base Availability. The Company understands that the Bank will use the Borrowing Base as a maximum ceiling on Revolving Loans. In computing the availability of Revolving Loans under the Borrowing Base, the Bank will subtract from the Borrowing Base the aggregate principal amount of all outstanding Revolving Loans at the time such calculation is made.

SECTION III

Conditions to Loans.

3.1. Conditions Precedent to Initial Loan. The obligation of the Bank to make its initial Loan is subject to the following conditions:

(a) receipt by the Bank of this Agreement and the Revolving Loan Note, duly executed and appropriately completed by the Company;

(b) receipt of (i) Uniform Commercial Code financing statements covering the Collateral, duly filed in each jurisdiction where the Collateral is located or where, in the opinion of the Bank, filing is necessary or desirable to assure to the Bank the benefits contemplated by this Agreement; (ii) evidence of the recording of this Agreement with the Interstate Commerce Commission and any applicable state regulatory agencies; and (iii) evidence of any other filing or recording deemed necessary or desirable by the Bank to create and perfect the security interests and liens granted under this Agreement.

(c) receipt of certificates of insurance covering the Collateral, evidencing compliance with the requirements of Section 5.3 hereof;

(d) receipt of certificates of legal existence, tax good standing and qualification in states other than the state of the Company's incorporation from the appropriate governmental authorities for the Company and its Subsidiaries;

(e) receipt by the Bank of copies of the charter documents and by-laws of the Company and its Subsidiaries, certified by appropriate governmental authorities or authorized officers of the Company or such Subsidiary;

(f) receipt by the Bank of certified copies of all corporate action evidencing necessary action on the part of the Company with respect to the authorization of this Agreement and the Revolving Loan Note, and certificates as to the incumbency of officers signing the Agreement and the Revolving Loan Note;

(g) receipt by the Bank of a favorable opinion of Heidi J. Eddins, Esq., counsel to the Company, substantially in the form of Exhibit C hereto;

(h) receipt of a closing certificate dated as of the date of the initial Loan, in form and substance satisfactory to the Bank, in which the Company shall represent and warrant to

the Bank all of the matters set forth in Section IV hereof and that the conditions set forth in Section 3.2 are satisfied at and as of the date of the initial Loan;

(i) receipt by the Bank of a Borrowing Base Certificate dated as of the date of the initial Loan, containing the information requested in item 2 of Schedule A to Exhibit H hereto; and

(j) such other documents as in the opinion of the Bank or its counsel are necessary or appropriate in order to effect fully the purposes of this Agreement.

3.2. Conditions Precedent to all Loans. The obligation of the Bank to make each Loan, including its initial Loan and the Term Loan, is further subject to the following conditions:

(a) the representations and warranties contained in Section IV shall be true and accurate in all material respects on and as of the effective date of such Loan as though made on and as of such date (except to the extent that such representations and warranties expressly relate to an earlier date), and no Default shall have occurred and be continuing or would result from such Loan;

(b) the corporate actions referred to in section 3.1(f) shall be in full force and effect;

(c) no change shall have occurred in any law or regulation, or interpretation thereof that, in the opinion of counsel for the Bank, would make it illegal or against the policy of any governmental agency or authority for the Bank to make such Loan hereunder;

(d) all legal matters incident to this Agreement and the transactions contemplated hereby shall be satisfactory to the Bank and its counsel; and

(e) with respect to the Term Loan only, receipt by the Bank of the Term Note, duly executed and appropriately completed by the Company.

The making of each Loan shall be deemed to be a representation and warranty by the Company on the date of such Loan as to the accuracy of the facts in subsections (a) and (b) of this Section 3.2.

SECTION IV

Representations and Warranties

In order to induce the Bank to enter into this Agreement and to make Loans hereunder, the Company represents and warrants to the Bank that:

4.1. Organization and Qualification. Each of the Company and its Subsidiaries (a) is a corporation duly organized, existing and in good standing under the laws of its jurisdiction of incorporation; (b) has all requisite corporate power and authority, rights, franchises and licenses to own its property and conduct its business as now conducted and as presently contemplated; and (c) is duly qualified and in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction wherein the nature of its properties or business requires such qualification.

4.2. Corporate Authority. The execution, delivery and performance of this Agreement and the Notes and the transactions contemplated hereby and thereby are within the corporate power and authority of the Company and have been duly authorized by all necessary corporate proceedings, and do not and will not (a) require any consent or approval of the stockholders of the Company; (b) contravene any provision of the charter documents or by-laws of the Company or any law, rule or regulation applicable to the Company; (c) contravene any provision of, or constitute an event of default or event which, with the lapse of time or the giving of notice, or both, would constitute an event of default under, any other agreement, instrument or undertaking binding upon the Company or any of its Subsidiaries; or (d) result in or require the imposition of any Encumbrance on any of the properties of the Company or its Subsidiaries.

4.3. Valid Obligations. This Agreement and the Notes and all of the terms and conditions hereof and thereof are the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting generally the enforcement of creditors' rights.

4.4. Governmental Approvals. The execution, delivery and performance of this Agreement and the Notes, and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing or registration with, any governmental or other agency or authority, or any other party.

4.5. Financial Statements. The Company has furnished the Bank with its consolidated balance sheet as of December 31, 1988 and its consolidated statements of income, changes in stockholders' equity and cash flow for the fiscal year then ended, audited and certified by Laventhol & Horvath. The Company has also furnished the Bank its consolidated balance sheet as of September 30, 1988 and its consolidated statements of income, changes in stockholders' equity and cash flow for the fiscal quarter then ended, certified by the principal financial officer of the Company but subject, however, to normal, recurring year-end adjustments that shall not in the aggregate be material in amount. All such financial statements and footnotes were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods specified and present fairly the financial position of the Company and its Subsidiaries as at such dates and the results of the operations of the Company and its Subsidiaries for such periods. There are no liabilities, contingent or otherwise, not disclosed in such financial statements that involve a material amount.

4.6. Changes. Since the date of the latest audited financial statements referred to in Section 4.5, there have been no changes in the assets, liabilities, financial condition, business or prospects of the Company or any of its Subsidiaries (other than changes in the ordinary course of business) which have, in the aggregate, been materially adverse.

4.7. Title to Properties; Absence of Encumbrances; Leases. The Company and each of its Subsidiaries has good and marketable title to all of its respective properties, assets and rights of every name and nature now purported to be owned by it, including, without limitation, such properties and assets as are shown on the financial statements referred to in Section 4.5 (except such assets as have been disposed of in the ordinary course of business since the date thereof), except as set forth on Exhibit D hereto, free from all Encumbrances except those permitted by Section 5.9 or as otherwise disclosed in said financial statements or in Exhibit D hereto, and, except as so disclosed, free from all defects of title that might materially adversely affect such property, assets or rights, taken as a whole. The Company enjoys peaceful and undisturbed possession under all leases of real or personal property of which it is lessee, none of which contains any unusual or burdensome provision which would have a material adverse effect on or impair the operations of the Company, and all such leases are valid and substituting and in full force and effect.

4.8. Defaults. As of the date of this Agreement, no Default exists.

4.9. Taxes. The Company and each of its Subsidiaries have filed all federal, state and other tax returns required to be filed, and all taxes, assessments and other governmental charges due from the Company and each of its Subsidiaries have been fully paid, except for taxes, assessments and charges which are being contested in good faith by proper proceedings and with respect to which adequate reserves have been established and are being maintained in accordance with generally accepted accounting principles. The Company and each of its Subsidiaries have established on their books reserves adequate for the payment of all federal, state and other tax liabilities.

4.10. Litigation. Except as set forth on Exhibit E hereto, there is no litigation, arbitration, proceeding or investigation pending, or, to the knowledge of the Company's or any Subsidiary's officers, officers, threatened, against the Company or any of its Subsidiaries which, if determined adversely, might result in an adverse judgment not fully covered by insurance or which might otherwise have a material adverse effect on the business, assets or prospects of the Company or any Subsidiary.

4.11. Use of Proceeds. Proceeds of the Loans hereunder will be used to provide funds for potential acquisitions and for working capital needs, as the Company deems necessary. No portion of the Loans is to be used, directly or indirectly, for the "purpose of purchasing or carrying" any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. 221 and 224, as amended.

4.12. Subsidiaries. As of the date of this Agreement, all the Subsidiaries of the Company are listed on Exhibit F hereto. The Company or a Subsidiary of the Company is the owner, free and clear of all liens and encumbrances, of all of the issued and outstanding stock of each Subsidiary. All shares of such stock have been validly issued and are fully paid and nonassessable, and no rights to subscribe to any additional shares have been granted, and no options, warrants or similar rights are outstanding.

4.13. Compliance with ERISA. The Company and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA; and no "prohibited transaction" or "reportable event" (as such terms are defined in ERISA) has occurred with respect to any Plan.

4.14. Investment Company Act. Neither the Company nor any of its Subsidiaries is subject to regulation under the Investment Company Act of 1940, as amended.

4.15. Railroad Retirement Act. The Company has complied with all applicable requirements under the Railroad Retirement Act of 1935 or 1937 with respect to each employee pension benefit plan established for its employees thereunder.

4.16. Compliance with Law. The Company has duly observed, conformed and complied in all respects with all laws, decisions, judgments, rules, regulations and orders of all governmental authorities relating to the conduct of its business, its properties, and assets, except those being contested in good faith by appropriate proceedings diligently pursued. The Company is not aware of any investigation against it or any of its Subsidiaries by any governmental authority charged with enforcing laws relating to environmental quality.

4.17. Other Regulations. Neither the Company nor any of its Subsidiaries is subject to any statute or regulation restricting its ability to incur indebtedness or encumber its respective properties.

4.18. Labor Relations. As of the Closing Date, there are no strikes, work stoppages or lock-outs in existence and, to the knowledge of the Company, none that is threatened.

4.19. Patents, Copyrights, Permits, Trademarks, Licenses and Leases. Each of the Company and its Subsidiaries has rights with respect to all of the material patents, trademarks, permits, service marks, tradenames, copyrights and licenses, and shall have obtained assignments of all Leases and other rights of whatever nature, necessary for the present and planned future conduct of its business, without any known conflict with the rights of others that might result in a material adverse effect on the business, operations, property or financial or other condition of the Company and its Subsidiaries.

4.20. Security Interest. (a) The Company is the sole legal and equitable owner of the Collateral, holds good title to the same free and clear of all liens, charges, encumbrances and security interests or rights of others of every kind and nature whatsoever except for the security interests granted hereunder to the Bank, and has good right and legal authority to assign, deliver, and/or create a security interest in the Collateral in the manner hereby provided or contemplated. The Collateral is genuine and is what it purports to be. The Collateral is not subject to any restriction or transfer

contained in any agreement to which the Company is a party or by which the Company is bound which would prohibit or restrict the assignment, delivery or creation of a security interest in the Collateral hereunder.

(b) This Agreement creates and constitutes a valid and continuing first lien on and, upon the filing of UCC-1 financing statements in the jurisdictions shown on Exhibit G hereto, a first perfected security interest in favor of the Bank in the Collateral prior to all other liens, encumbrances, security interests and rights of others (except for Permitted Encumbrances), and is enforceable as such against creditors of the Company, any owner of the real property where any of the Collateral is located, any purchaser of such real property and any present or future creditor obtaining a lien on such real property. No financing statement under the Uniform Commercial Code of any state or other instrument evidencing a lien which names the Company as debtor (other than those with respect to Permitted Encumbrances or those that have been terminated) is on file and the Company has not signed any such document or any security agreement authorizing any secured party thereunder to file any such financing statement or instrument.

4.21. Corporate/Trade Names. Except as otherwise disclosed to the Bank, during the five year period preceding the date of this Agreement the Company has not been known or done business as or used any name other than the name appearing on the first page hereof.

## SECTION V

### CONTINUING AGREEMENTS

During the term of this Agreement and so long as the Bank has any commitment to lend hereunder or any Obligation of the Company remains outstanding, the Company agrees as follows:

5.1. Financial Statements and other Information. The Company shall furnish to the Bank:

(a) as soon as available to the Company, but in any event within 90 days after the end of each of its fiscal years, a consolidated and consolidating balance sheet as of the end of, and a related consolidated and consolidating statement of income, changes in stockholders' equity and cash flow for, such year, audited and certified by Laventhol & Horvath (or other independent certified public accountants acceptable to the Bank) in the case of such consolidated statements, and certified by the principal financial officer in the case of

such consolidating statements; and, concurrently with such financial statements, a copy of said certified public accountants' management report and a written statement by such accountants that, in the making of the audit necessary for their report and opinion upon such financial statements they have obtained no knowledge of any Default or, if in the opinion of such accountants any such Default exists, they shall disclose in such written statement the nature and status thereof;

(b) as soon as available to the Company, but in any event within 45 days after the end of each of the fiscal quarters, a consolidated and consolidating balance sheet as of the end of, and a related consolidated and consolidating statement of income for, the period then ended, certified by the principal financial officer of the Company but subject, however, to normal, recurring year-end adjustments that shall not in the aggregate be material in amount;

(c) concurrently with the delivery of each financial statement pursuant to subsections (a) and (b) of this Section 5.1, a report in substantially the form of Exhibit H hereto signed on behalf of the Company by its chief financial officer;

(d) promptly after the receipt thereof by the Company, copies of any reports submitted to the Company by independent public accountants in connection with any interim review of the accounts of the Company made by such accountants;

(e) promptly after the same are available, copies of all proxy statements, financial statements and reports as the Company shall send to its stockholders or as the Company may file with the Securities and Exchange Commission or any governmental authority at any time having jurisdiction over the Company or its Subsidiaries;

(f) if and when the Company gives or is required to give notice to the PBGC of any "Reportable Event" (as defined in Section 4043 of ERISA) with respect to any Plan that might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that any member of the Controlled Group or the plan administrator of any Plan has given or is required to give notice of any such Reportable Event, a copy of the notice of such Reportable Event given or required to be given to the PBGC;

(g) immediately upon becoming aware of the existence of any condition or event that constitutes a Default, written notice thereof specifying the nature and duration thereof and the action being or proposed to be taken with respect thereto;

(h) promptly upon becoming aware of any litigation or of any investigative proceedings by a governmental agency or authority, including but not limited to the Interstate Commerce Commission, commenced or threatened against the Company or any of its Subsidiaries of which it has notice, the outcome of which would or might have a materially adverse effect on the assets, business or prospects financial condition of the Company or the Company and its Subsidiaries on a consolidated basis, written notice thereof and the action being or proposed to be taken with respect thereto; and

(i) from time to time, such other financial data and information about the Company or its Subsidiaries as the Bank may reasonably request.

5.2. Corporate Rights and Facilities; Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to:

(a) maintain and preserve its corporate existence and all rights, privileges, franchises, and other authority adequate for the conduct of its business and of any rail lines operated or acquired by the Company, in a manner consistent with good railroad operating procedures; maintain and keep in effect all approvals and consents material to the operations of the Company and its Subsidiaries of any governmental agencies having jurisdiction over the business of the Company and its Subsidiaries, including, but not limited to, the Interstate Commerce Commission; conduct its business in an orderly manner without voluntary interruption; and, in the case of the Company, maintain its chief executive office in the State of Rhode Island unless the Bank shall have given its consent to such change pursuant to Section 5.8(a) hereof provided that, with at least 30 days' prior notice to the Bank, the Company may move its chief executive office to Worcester, Massachusetts; and

(b) maintain and keep the properties used or deemed by it to be useful in its business in good repair, working order and condition, and make or cause to be made all needful and proper repairs thereto and replacements thereof; and comply at all times with the provisions of all Leases so as to prevent any loss or forfeiture thereof or thereunder. Specifically, but not in limitation of the foregoing, the Company will maintain its existing FRA Class ratings on its rail lines.

5.3. Insurance. The Company will maintain insurance with responsible insurance carriers against such risks and in such amounts as is customarily carried by similar businesses, but in any event in the amount of the replacement value for

each item of equipment or structure owned by the Company having a replacement value of \$100,000 or more, including without limitation, public liability, property damage and such insurance as may be required under the Federal Railway Employer's Liability Act.

5.4. Taxes. The Company will pay or cause to be paid all taxes, assessments or governmental charges on or against it or any of its Subsidiaries or its or their properties prior to the time when they become delinquent; provided that this covenant shall not apply to any tax, assessment or charge which is being contested in good faith by proper proceedings and with respect to which adequate reserves have been established and are being maintained in accordance with generally accepted accounting principles if no proceedings shall have been commenced to foreclose any lien securing such tax, assessment or charge.

5.5. Compliance with Laws. Each of the Company and its Subsidiaries will duly observe, conform and comply in all respects with all laws, decisions, judgments, rules, regulations and orders of all governmental authorities relative to the conduct of its business, its properties and assets, except those being contested in good faith by appropriate proceedings diligently pursued.

5.6. Maintenance of Books and Records. The Company and each of its Subsidiaries will keep adequate books and records of account, in which true and complete entries will be made reflecting all of its business and financial transactions, and such entries will be made in accordance with statutory reporting practices consistently applied and applicable law.

5.7. Inspection and Appraisal by the Bank. The Company will permit any agent or employee of the Bank or its designees, at any reasonable time and from time to time to (i) visit and inspect the properties of the Company and its Subsidiaries; (ii) appraise the value of the Collateral for purposes of ascertaining compliance with the terms and conditions of this Agreement; (iii) examine and make copies of and take abstracts from the books and records of the Company and its Subsidiaries; and (iv) to discuss the affairs, finances and accounts of the Company and its Subsidiaries with their appropriate officers.

5.8. Notice of Certain Events. The Company shall promptly notify the Bank of the occurrence of (a) any change in the name, identity or corporate structure of the Company, or change in the location of its chief executive office (which change in office shall require the express prior written consent of the Bank); (b) the occurrence of any Investment in

any Person if, after giving effect to such Investment, such Person would constitute a Subsidiary of the Company; and (c) any litigation which, if adversely determined, might have a material adverse effect on the assets, business or prospects of the Company and its Subsidiaries taken as a whole.

5.9. Additional Collateral; Prepayment. In the event of an occurrence of a Default under Section 5.21 of this Agreement, the Company shall, upon the request and at the option of the Bank (it being understood and agreed that the Bank may elect to exercise its remedies under Section 6.2 in lieu of requesting either (i) or (ii), below, and shall have no obligation to do so) either (i) pay to the Bank for application to the outstanding Loans, an amount necessary so that, immediately after giving effect to such payment, the ratio set forth in Section 5.21 shall be satisfied; or (ii) grant a lien on and a security interest in certain of its unencumbered assets of a type satisfactory to the Bank which, together with the Appraised Value of the Collateral, shall have an aggregate minimum liquidation value equal to 125% of the aggregate principal amount of all Loans outstanding at that time, and shall deliver to the Bank such additional documents as the Bank shall request to effect such grant, together with any appraisals, insurance policies and certificates, legal opinions and other like documents, in form and substance satisfactory to the Bank, as the Bank may reasonably request to enable it to perfect, protect and preserve its interest in such property. The representations and warranties contained in this Agreement and made in connection with the original Collateral shall be true and accurate with respect to any additional Collateral at the time the Bank is granted a security interest therein pursuant hereto.

5.10. Further Assurances. The Company will execute and deliver such further instruments and take such further action as may reasonably be requested by the Bank in order to effect the purposes of this Agreement.

5.11. Indebtedness. Neither the Company nor any of its Subsidiaries shall create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness other than the following:

(a) Indebtedness of the Company or any of its Subsidiaries to the Bank or any of its affiliates;

(b) Indebtedness existing as of the date of this Agreement and disclosed on Exhibit I hereto or in the financial statements referred to in Section 4.5;

(c) trade credit obtained in the normal course of business;

(d) Indebtedness secured by Permitted Encumbrances;

(e) Indebtedness represented by amounts due by the Company under capital leases or leases providing for payments in any one fiscal year (whether or not such payments are termed rent) that in the aggregate do not increase the aggregate annual lease payments of the Company and its Subsidiaries in excess of \$30,000.00 over such payments required to be made during the immediately preceding fiscal year;

(f) Indebtedness in an aggregate outstanding principal amount not to exceed \$2,000,000 and represented by a line of credit from Bank of New England, N.A.;

(g) Indebtedness in an aggregate outstanding principal amount not to exceed \$2,400,000.00 to for the purposes of financing new offices for the Company in Worcester; and

(h) other Indebtedness in an aggregate outstanding principal amount not exceeding \$20,000.00.

5.12. Contingent Liabilities. Neither the Company nor any of its Subsidiaries shall create, incur, assume, guarantee or remain liable with respect to any Guarantees other than the following:

(a) Guarantees in favor of the Bank or any of its affiliates;

(b) Guarantees existing on the date of this Agreement and disclosed on Exhibit J hereto or in the financial statements referred to in Section 4.6;

(c) Guarantees resulting from the endorsement of negotiable instruments for collection in the ordinary course of business;

(d) Guarantees with respect to surety, appeal performance and return-of-money and other similar obligations incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money) not exceeding in the aggregate at any time \$20,000.00; and

(e) Guarantees of normal trade debt relating to the acquisition of goods and supplies.

5.13. Sale and Leaseback. Neither the Company nor any of its Subsidiaries shall enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property owned by it in order to lease such property or lease other property that the Company or any such Subsidiary intends to use for substantially the same purpose as the property being sold or transferred, except that the foregoing shall not apply to the sale and lease by the Company of real property entered into in the ordinary course of the Company's business.

5.14. Type of Business. The Company will not make any substantial change in the present character of its business.

5.15. Restriction on Liens. Neither the Company nor any of its Subsidiaries will create, incur, assume or suffer to exist any mortgage, pledge, security interest, lien or other charge or encumbrance, including the lien or retained security title of a conditional vendor ("Encumbrances"), upon or with respect to any of its property or assets, or assign or otherwise convey any right to receive income, including the sale or discount of accounts receivable, with or without recourse, other than the following ("Permitted Encumbrances"):

(a) Encumbrances in favor of the Bank;

(b) Encumbrances existing as of the date of this Agreement and disclosed in accordance with Section 4.7;

(c) liens for taxes, fees, assessments and other governmental charges to the extent that payment of the same may be postponed or is not required in accordance with the provisions of Section 5.4;

(d) landlords' and lessors' liens in respect of rent not in default or liens in respect of pledges or deposits under workmen's compensation, unemployment insurance, social security laws, or similar legislation (other than ERISA), or in connection with appeal and similar bonds incidental to litigation; mechanics', laborers' and materialmen's and similar liens, if the obligations secured by such liens are not then delinquent; liens securing the performance of bids, tenders, contracts (other than for the payment of money); and statutory obligations incidental to the conduct of the business of the Company and its Subsidiaries and which do not in the aggregate materially detract from the value of the property of the Company and its Subsidiaries, or materially impair the use thereof in the operation of their business;

(e) judgment liens which shall not have been in existence for a period longer than 30 days after the creation

thereof or, if a stay of execution shall have been obtained, for a period longer than 30 days after the expiration of such stay, the satisfaction of which would have a material adverse effect on the financial condition of the Company;

(f) rights of lessors under capital leases;

(g) Encumbrances in respect of any purchase money obligations for tangible property used in the business of the Company or any of its Subsidiaries; provided that any such Encumbrances shall not extend to property and assets of the Company or any such Subsidiary not financed by such a purchase money obligation; and

(h) easements, rights of way, restrictions and other similar charges or Encumbrances not interfering in a material way with the ordinary conduct of business of the Company or any of its Subsidiaries;

5.16. Investments. Without the prior written consent of the Bank, neither the Company nor any of its Subsidiaries shall make or maintain any Investments other than (i) existing Investments in Subsidiaries and (ii) Qualified Investments.

5.17. Merger; Consolidation; Sale or Lease of Assets. Except as otherwise permitted in this Section 5.17, neither the Company nor any of its Subsidiaries shall liquidate or merge or consolidate into any other corporation or entity, provided that any Subsidiary may be liquidated into, or may merge or consolidate with, the Company or another wholly-owned Subsidiary, provided that in the case of such merger or consolidation involving the Company (i) no Default shall exist and (ii) the Company shall be the surviving corporation. Neither the Company nor any of its Subsidiaries shall sell, lease or otherwise dispose of all or a substantial portion of its assets other than in the ordinary course of business, except that a Subsidiary may lease, sell or otherwise dispose of any of its assets to the Company or any of such Subsidiary's wholly-owned Subsidiaries.

5.18. ERISA. Neither the Company nor any member of the Controlled Group will permit any Plan to (i) engage in any "prohibited transaction" (as defined in Section 4975 of the Code, (ii) incur any "accumulated funding deficiency" (as defined in Section 302 of ERISA) whether or not waived, or (iii) terminate in a manner which could result in the imposition of a lien or encumbrance on the assets of the Company or any of its Subsidiaries pursuant to Section 4068 of ERISA.

5.19. Additional Stock Issuance. The Company shall not permit any of its Subsidiaries to issue any additional shares of its capital stock or other equity securities, any options therefor or any securities convertible thereto other than to the Company. Neither the Company nor any of its Subsidiaries shall sell, transfer or otherwise dispose of any of the capital stock or other equity securities of a Subsidiary, except (i) to the Company or any of its wholly-owned Subsidiaries, or (ii) in connection with a transaction permitted by Section 5.17.

5.20. Railroad Retirement Act. The Company will not permit any violation of the applicable requirements of the Railroad Retirement Act of 1935 or 1937 that would result in liability of the Company to any member of an employee benefit plan established thereunder or any person having regulatory authority with respect thereto.

5.21. Appraised Value of Collateral to Loans. The Company will not permit the Appraised Value of Collateral to the aggregate principal amount of all outstanding Loans, to be less than 125% at any time.

## SECTION VI

### SECURITY AGREEMENT

6.1. Creation of Security Interest. As collateral security for the payment and performance in full of the Obligations of the Company to the Bank, the Company hereby assigns and pledges to the Bank all of its rights, title and interest in, and grants to the Bank a continuing security interest in, the Collateral.

6.2. Covenants Pertaining to Collateral. The Company covenants that:

(a) The Company will not grant, assign or transfer any interest in, or otherwise encumber, any of the Collateral other than in favor of the Bank or its affiliates except as permitted in Section 5.15 or 5.17. The Company shall defend the Collateral against and take any action necessary to remove any liens or encumbrances other than those permitted hereunder and defend the right, title and interest of the Bank in and to any of the Company's rights in the Collateral.

(b) The Collateral shall remain personal property of the Company and shall not be deemed to be a fixture irrespective of the manner of its attachment to any real estate, and upon request by the Bank, the Company will deliver

to the Bank such disclaimer, waiver, or other document as the Bank requests, executed by each person having an interest in such real estate.

(c) The Company will keep the Collateral insured at all times by insurance in form and amounts satisfactory to the Bank, and in any event (without specific request by the Bank) will insure the Collateral against fire (including so-called extended coverage) and theft. Such insurance shall be with such insurance companies as are satisfactory to the Bank, with loss thereon payable to the Bank (as loss payee and as an additional insured) and the Company, as their respective interests may appear, shall provide for not less than 30 days' notice of cancellation or change in form or nonrenewal to the Bank, and shall insure the interest of the Bank regardless of any breach or violation by the Company or other person of the warranties, declarations or covenants contained in such policies, all as evidenced by a certificate of each policy of insurance delivered to the Bank.

(d) The Company will keep the Collateral in good order and repair, and will not use the same in violation of law or any policy of insurance thereon, and will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation.

(e) The Bank may discharge taxes and other encumbrances at any time levied or placed on the Collateral, make repairs thereon or provide maintenance with respect thereto, and place and pay for appropriate insurance thereon and pay any necessary filing fees, and the Company will reimburse the Bank on demand for any and all expenditures so made; provided that the Bank shall have no obligation to the Company to make any such expenditures nor shall the making thereof relieve the Company of any Default. Until paid, the amount of any such expenditures shall be an Obligation secured by the Collateral and shall bear interest at the Base Rate plus 2%.

(f) The Company's chief executive office and the place where the records concerning the Collateral are kept is shown on the first page hereof, and the Company will not change such chief executive office or remove such records without the express prior written consent of the Bank, provided that, with at least thirty days' prior notice to the Bank, the Company may move its Chief Executive Office to Worcester, Massachusetts.

(g) At any time and from time to time, upon the written request of the Bank, and at the sole expense of the Company, the Company will promptly and duly execute and deliver

any and all such further instruments and documents and take such further action as the Bank may deem desirable in obtaining the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statement under the Uniform Commercial Code in effect in any jurisdiction with respect to the liens and security interests granted hereby, transferring Collateral to the Bank's possession, and using its best efforts to obtain waivers from landlords and mortgagees, if necessary. The Company also hereby authorizes the Bank to file any such financing or continuation statement without the signature of the Company to the extent permitted by applicable law. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Bank, duly endorsed in a manner satisfactory to it.

(h) The Company will not change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed hereunder seriously misleading within the meaning of Section 9-402(7) of the Uniform Commercial Code (or any other then applicable provision of the Code) unless the Company shall have given the Bank at least 30 days' prior written notice thereof or shall have delivered to the Bank acknowledgment copies of UCC-3 financing statements reflecting such change duly executed and duly filed in each jurisdiction in which UCC-1 filings were required in order to perfect the security interest granted by this Agreement in the Collateral and shall have taken all action (or made arrangements to take such action concurrently with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Bank to amend such financial statement or continuation statement so that it is not seriously misleading.

(i) The Company shall not change any markings or serial numbers on any of the Collateral until after the Company has given notice in writing to the Bank of its intention to make such change. The Company shall execute and deliver supplemental security agreements, UCC-1 financing statements and other documents, legal opinions and instruments as the Bank shall deem necessary, and shall file the same, if required, in the appropriate recording offices (i) at such times as the Bank shall acquire a security interest in additional Collateral pursuant to Section 5.9; and (ii) at such times as any change is made in one or more of the markings or serial numbers or any of the Collateral. All such supplemental security agreements, UCC-1 financing statements and other instruments shall secure all of the Obligations pro rata and shall be on terms and conditions satisfactory to the Bank as evidenced by its written consent.

6.3. Reports, etc. Pertaining to Collateral. The Company will promptly notify the Bank of any lien or security interest asserted or any attachment, levy, execution or other legal process levied against any of the Collateral in amounts exceeding in the aggregate \$50,000.00 and of any information received by the Company relative to the Collateral, which in any way may affect adversely the value of the Collateral or the rights and remedies of the Bank in respect thereto.

6.4. Bank's Rights in Collateral. The Bank may, at its option and at any time after a Default, without notice or demand on the Company, with respect to any Collateral, make, adjust or settle claims under any insurance policy related thereto.

Except as otherwise provided herein, the Bank shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto.

6.5. Remedies. (a) In any jurisdiction where enforcement of rights hereunder is sought, the Bank shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Massachusetts. Upon the occurrence of an Event of Default or at any time thereafter (such defaults not having been previously cured to the satisfaction of the Bank) and so long as any part of the Obligations remains unpaid or unperformed, the Bank may, at its option, without notice or demand, declare all of the Obligations to be immediately due and payable and take immediate possession of the Collateral, and for that purpose the Bank may, so far as the Company can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for purposes of conducting a sale or enforcing the rights of the Bank under this Agreement. The Company will, upon demand, make the Collateral available to the Bank at a place and time designated by the Bank which is reasonably convenient. After the occurrence of an Event of Default the Bank may collect and receive all income and proceeds in respect of the Collateral, and exercise all rights of the Company with respect thereto; all without liability except to account for property actually received (but the Bank shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing). The Bank may apply the Collateral and any and all income and proceeds received by it hereunder to the payment of all Obligations to the Bank. The Bank may sell, lease or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place of sale, and upon

terms and in such manner as the Bank may determine, and the Bank may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Bank shall give to the Company at least five days' prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sales or any other intended disposition thereof is to be made. Upon any such sale or sales the Collateral so purchased shall be held by the purchaser absolutely free from any claims or rights of whatsoever kind or nature, including any equity of redemption and any similar rights, all such equity of redemption and any similar rights being hereby expressly waived and released by the Company. In the event any consent, approval or authorization of any governmental agency will be necessary to effectuate any such sale or sales, the Company shall execute all such applications or other instruments as may be required.

(b) Prior to any disposition of Collateral pursuant to this Agreement, the Bank may, at its option, cause any of the Collateral to be repaired, reconditioned, but not upgraded unless mutually agreed, in such manner and to such extent as to make saleable, and any reasonable sums expended therefor by the Bank shall be repaid by the Company and become part of the Obligations secured hereby.

(c) In addition to the remedies provided for herein or otherwise available to the Bank, the Bank is hereby granted a license or other right to use, without charge, the Company's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral and the Company's rights under all licenses and all franchise agreements shall inure to the Bank's benefit.

(d) The Bank shall be entitled to retain and to apply the proceeds of such sale, first, to its reasonable expenses of retaking, holding, protecting and maintaining, and preparing for sale and selling, the Collateral, together with interest on such expenses at the Base Rate plus 2% per annum, including attorney's fees and other legal expenses incurred by it in connection therewith; and second, to the payment of all sums secured hereby in such order of priority as the Bank shall determine; and any surplus thereafter remaining shall be paid to the Company or to whomever may be legally entitled thereto; provided that in no event shall the Company be credited with any part of the proceeds of the sale of the Collateral until cash payment thereon shall have been actually received by the Bank. If a sufficient sum is not realized from any such

disposition of Collateral to pay all Obligations secured by this Agreement, the Company hereby promises and agrees to pay to the Bank any deficiency.

(e) The Bank shall have the right to enforce one or more remedies hereunder successively or concurrently, and any such action shall not stop or prevent the Bank from pursuing any further remedy which it may have hereunder or by law.

6.6. Waivers. The Company waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notice of any description. With respect to both the Obligations and the Collateral, the Company assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Bank may deem advisable. The Bank may exercise any rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for the Obligations.

## SECTION VII

### Defaults

7.1. Defaults. There shall be an Event of Default hereunder if any of the following events occur:

(a) the Company shall fail to pay when due amount of principal of any Loans or any interest thereon or any fees or expenses payable hereunder or under either of the Notes when due; or

(b) the Company shall fail to perform any term, covenant or agreement contained in Sections 5.1(g), 5.7, 5.9, 5.11 through and including 5.13 and 5.15 through and including 5.21; or

(c) the Company shall fail to perform any agreement contained in Sections 5.1(f), 5.1(h), 5.2, 5.5, 5.8 and 5.14, and such failure shall continue for 30 days;

(d) the Company shall fail to perform any term or agreement (other than in respect of subsections 7.1 through 7.3 hereof) contained in this Agreement, and such failure shall

continue for thirty (30) days after notice thereof has been sent to the Company by the Bank; or

(e) any representation or warranty of the Company in this Agreement or in any certificate delivered hereunder shall prove to have been false in any material respect upon the date when made; or

(f) the Company or any of its Subsidiaries (as principal or guarantor or other surety) shall default in the payment of any obligation for borrowed money to the Bank, any direct or indirect subsidiary of the Bank or Bank of Boston Corporation, or any of its affiliates or in respect of any other extension of credit or accommodation from the Bank or any of its affiliates, or the Company or any of its Subsidiaries shall default in the performance of any agreement evidencing or securing such borrowed money, extension of credit or accommodation, for such period of time as would have permitted the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or would have constituted an event of default thereunder; or

(g) the Company or any of its Subsidiaries (as principal or guarantor or other surety) shall default in the payment of any obligation for borrowed money or in respect of any other extension of credit or accommodation in excess of \$50,000.00 individually or in the aggregate, or the Company or any of its Subsidiaries shall default in the performance of any agreement evidencing or securing such borrowed money, extension of credit or accommodation, for such period of time as would have permitted the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or would have constituted an event of default thereunder; or

(h) the Company or any of its Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of its property, (ii) be generally not paying its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) take any action or commence any case or proceeding under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or any other law providing for the relief of debtors, (vi) fail to contest in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Federal Bankruptcy Code or other law, (vii) take any action

under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing, or (viii) take any corporate action for the purpose of effecting any of the foregoing; or

(i) a proceeding or case shall be commenced, without the application or consent of the Company or any of its Subsidiaries in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (iii) similar relief in respect of it, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts or any other law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 30 days; or an order for relief shall be entered in an involuntary case under the Federal Bankruptcy Code, against the Company or such Subsidiary; or action under the laws of the jurisdiction of incorporation or organization of the Company or any of its Subsidiaries similar to any of the foregoing shall be taken with respect to the Company or such Subsidiary and shall continue unstayed and in effect for any period of 30 days; or

(j) a judgment or order for the payment of money shall be entered against the Company or any of its Subsidiaries by any court, or a warrant of attachment or execution or similar process shall be issued or levied against property of the Company or such Subsidiary, that in the aggregate exceeds \$50,000.00 in value and such judgment, order, warrant or process shall continue undischarged or unstayed for 30 days; or

(k) the Company or any member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$50,000.00 that it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Company, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans against the Company and such proceedings shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(l) the Bank shall deem the Collateral inadequate or unsafe or in danger of misuse or to have declined in value so as to impair the Bank's security or increase the Bank's risk unless said condition is corrected to the satisfaction of the Bank within 30 days after written notice thereof from the Bank; or

(m) there shall occur a material adverse change in the assets, liabilities, financial condition, business or prospects of the Company, as determined by the Bank acting in good faith.

7.2. Remedies. Upon the occurrence of an Event of Default described in subsections 7.1 (h) and (i) immediately and automatically, and upon the occurrence of any other Event of Default or at any time thereafter while such Event of Default is continuing, (unless, as a result of the Event of Default, the Bank shall have made and the Company shall have complied with, to the Bank's satisfaction, the request for additional Collateral or repayment pursuant to Section 5.9 of this Agreement) at the Bank's option and upon the Bank's declaration (a) the Bank's commitment to make any further Loans hereunder shall terminate; (b) the unpaid principal amount of the Loans together with accrued interest thereon and fees and charges payable to the Bank hereunder and all other Obligations shall become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived; and (c) the Bank may exercise any and all rights it has under this Agreement or the Notes or any other documents or agreements executed in connection therewith, or at law or in equity, and proceed to protect and enforce the Bank's rights by any action at law, in equity or other appropriate proceeding.

#### SECTION VIII

#### MISCELLANEOUS

8.1. Amendments, Waivers, Etc. Neither this Agreement or the Notes nor any provision hereof or thereof may be amended, waived, discharged or terminated except by a written instrument signed by the Bank and the Company. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

8.2. Indemnification. In consideration of the execution and delivery of this Agreement by the Bank and the agreement of the Bank to make Loans to the Company hereunder, the Company hereby agrees to indemnify, exonerate and hold the Bank and each of the officers, directors, employees and agents of the Bank (collectively, the "Bank Parties") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities, damages and expenses, including, without limitation, reasonable attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Bank Parties or any of them as a result of, or arising out of, or relating to any purchase of stock or assets, or merger, financed in whole or in part directly or indirectly with proceeds of any of the Loans, except for any such Indemnified Liabilities arising out of any Bank Party's gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

8.3. Expenses. The Company shall pay or reimburse the Bank for all reasonable expenses (including attorney's fees of outside counsel or the allocation costs of in-house counsel) incurred or paid in connection with the preparation, execution and delivery, interpretation, enforcement or amendment of this Agreement and the Notes (whether or not the transactions contemplated hereby shall be consummated). Such amounts shall be payable on demand. The agreements contained in this Section 8.3 shall survive the termination of this Agreement.

8.4. Notices. Unless otherwise specified herein, all written notices hereunder to any party hereto shall be deemed to have been given when delivered by hand, when properly deposited in the mails postage prepaid, three (3) business days after having been sent by registered mail, when sent by telex, telecopy or when delivered to a telegraph company addressed to such party at its address given at the beginning of this Agreement or at any other address specified in writing. All notices to the Company shall be effective if sent to the Company, Attention: Robert J. Easton, Treasurer, or such other officer as the Company may specify in writing, and notices to the Bank shall be sent to the attention of Evelyn M. DiGaetano and Kimberly T. Mount, Transportation Division, 01-03-03.

8.5. Massachusetts Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts. Where not inconsistent with this Agreement, all terms used herein shall have the meanings ascribed to them in the Uniform Commercial Code of Massachusetts as in effect on the date hereof.

8.6. Binding Effect of Agreement. This Agreement shall be binding upon and inure to the benefit of the Company and the Bank and their respective successors and assigns; provided that the Company may not assign or transfer its rights hereunder.

8.7. Sales. The Bank may sell, transfer or grant participations in the Notes to another bank or financial institution without the prior written consent of the Company, and the Company agrees that any transferee or participant shall be entitled to the benefits of Sections 2.7(c), 2.7(d) and 8.9 to the same extent as if such transferee or participant were the Bank hereunder, provided that no assignee, participant or other transferee of the Bank's rights shall be entitled to receive any greater payment under Sections 2.7(c) or 2.7(d) than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent; and provided further that the Company may, for all purposes of this Agreement, treat the Bank as the holder of the Notes drawn to its order and owner of the Loans evidenced thereby.

8.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

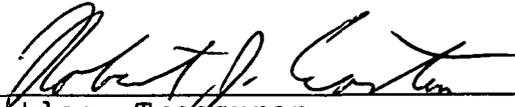
8.9. Right of Offset. The Company hereby grants to the Bank, upon the occurrence of any Event of Default, the right to set off, appropriate and apply any deposits, balances or other sums credited by or due from the Bank to the Company, against any and all obligations of the Company to the Bank under this Agreement or the Notes, notwithstanding the adequacy of any collateral which may be provided and without notice to the Company or compliance with any other condition precedent now or hereafter imposed by statute, rule of law or otherwise (all of which are hereby expressly waived).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

[SEAL]

By:

  
Title: Treasurer

Commonwealth of Massachusetts)  
County of Suffolk ) ss

On this 4th day of May, 1989 before me personally appeared Robert J. Easton, to me personally known, who being by me duly sworn, says that he is the Treasurer of Providence and Worcester Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the foregoing instrument was the free act and deed of said corporation.

Blanca L. Palavicini  
Notary Public

My commission expires:

**BLANCA L. PALAVICINI**  
My Commission Expires October 21, 1994

THE FIRST NATIONAL BANK OF BOSTON

[SEAL]

By: Evelyn M. DeGaetano  
Its Authorized Officer

Commonwealth of Massachusetts)  
County of Suffolk ) ss

On this 4th day of May, 1989, before me personally appeared Evelyn M. DeGaetano, to me personally known, who being by me duly sworn, says that she is a Vice President of The First National Bank of Boston, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and she acknowledges that the foregoing instrument was the free act and deed of said corporation.

Blanca L. Palavicini  
Notary Public

My commission expires:

**BLANCA L. PALAVICINI**  
My Commission Expires October 21, 1994

EXHIBIT A

PROVIDENCE AND WORCESTER RAILROAD COMPANY

NOTICE OF BORROWING

The First National Bank of Boston  
100 Federal Street  
Boston, Massachusetts

Re: Revolving Credit and Term Loan Agreement dated as of  
of May 4, 1989 (the "Agreement")

Gentlemen:

Pursuant to Section 2.3(a) of the Agreement, the undersigned hereby confirms its request made on \_\_\_\_\_, 19\_\_ for a Revolving Loan in the amount of \$ \_\_\_\_\_ on \_\_\_\_\_, 198\_\_.

The representations and warranties contained or referred to in Section IV of the Agreement are true and accurate on and as of the effective date of the Loan as though made at and as of such date (except to the extent that such representations and warranties expressly relate to an earlier date); the corporate actions referred to in Section 3.1(f) of the Agreement are in full force and effect; and no Default has occurred and is continuing or will result from the Revolving Loan.

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

By: \_\_\_\_\_  
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: \_\_\_\_\_  
Its Authorized Officer

EXHIBIT B-1

PROVIDENCE AND WORCESTER RAILROAD COMPANY

REVOLVING LOAN NOTE

\$2,000,000.00

As of May 4, 1989  
Boston, Massachusetts

For value received, the undersigned hereby promises to pay to The First National Bank of Boston (the "Bank"), or order, at the head office of the Bank at 100 Federal Street, Boston, Massachusetts, the principal amount of TWO MILLION DOLLARS (\$2,000,000.00) or such lesser amount as shall equal the aggregate unpaid principal amount of all Revolving Loans (as defined in the Agreement referred to below) made by the Bank to the undersigned pursuant to the Agreement, on the Revolving Loan Termination Date (as defined in the Agreement) or such earlier date as may be so provided in the Agreement, in lawful money of the United States and in immediately available funds, and to pay interest on the unpaid principal amount hereof, from time to time outstanding, at said office, in like money and funds, until paid in full, at the rates and on the dates provided in the Agreement.

Overdue payments of principal (whether at stated maturity, by acceleration or otherwise), and, to the extent permitted by law, overdue interest, shall bear interest, compounded daily and payable on demand, at a rate per annum equal to 2% above the rate in effect with respect to such principal prior to its maturity.

This Note is issued pursuant to, and entitled to the benefits of, and is subject to, the provisions of a certain Revolving Credit and Term Loan Agreement dated as of May 4, 1989 by and between the undersigned and the Bank, as the same may from time to time be amended or extended, (the "Agreement"), but neither this reference to the Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided. As provided in the Agreement, this Note is secured by certain personal property of the undersigned.

In case an Event of Default (as defined in the Agreement) shall occur, the aggregate unpaid principal of plus accrued interest on this Note may become or may be declared to be due and payable in the manner and with the effect provided in the Agreement.

The undersigned may at its option prepay all or any part of the principal of the Loans made pursuant to this Note before maturity upon the terms provided in the Agreement.

The undersigned maker hereby waives presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

This instrument shall have the effect of an instrument under seal and shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

By: \_\_\_\_\_  
Title

SCHEDULE I TO REVOLVING LOAN NOTE

<u>DATE</u>	<u>AMOUNT OF LOAN</u>	<u>INTEREST RATE</u>	<u>AMOUNT PAID</u>	<u>NOTATION MADE BY</u>
-------------	-------------------------------	--------------------------	------------------------	-----------------------------

Base Rate

EXHIBIT B-2

PROVIDENCE AND WORCESTER RAILROAD COMPANY

TERM NOTE

\$ \_\_\_\_\_

As of \_\_\_\_\_, 19\_\_\_\_  
Boston, Massachusetts

For value received, the undersigned hereby promises to pay to The First National Bank of Boston (the "Bank"), or order, at the head office of the Bank at 100 Federal Street, Boston, Massachusetts, the principal amount of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_) in forty-eight (48) equal consecutive monthly installments on the last day of each month beginning on \_\_\_\_\_, 19\_\_\_\_, in lawful money of the United States and in immediately available funds, and to pay interest on the unpaid principal amount hereof, from time to time outstanding, at said office, in like money and funds, until paid in full, at the rate provided in the Agreement (as defined below) and on the same dates that payments of principal are due hereunder.

Overdue payments of principal (whether at stated maturity, by acceleration or otherwise), and, to the extent permitted by law, overdue interest, shall bear interest, compounded daily and payable on demand, at a rate per annum equal to 2% above the rate in effect with respect to such principal prior to its maturity.

This Note is issued pursuant to, and entitled to the benefits of, and is subject to, the provisions of a certain Revolving Credit and Term Loan Agreement dated as of May 4, 1989 by and between the undersigned and the Bank, as the same may from time to time be amended or extended, (the "Agreement"), but neither this reference to the Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided. As provided in the Agreement, this Note is secured by certain personal property of the undersigned.

In case an Event of Default (as defined in the Agreement) shall occur, the aggregate unpaid principal of plus accrued interest on this Note may become or may be declared to be due and payable in the manner and with the effect provided in the Agreement.

The undersigned may at its option prepay all or any part of the principal of the Loans made pursuant to this Note before maturity upon the terms provided in the Agreement.

The undersigned maker hereby waives presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

This instrument shall have the effect of an instrument under seal and shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

By: \_\_\_\_\_  
Title

SCHEDULE I TO TERM NOTE

<u>DATE</u>	<u>AMOUNT OF LOAN</u>	<u>INTEREST RATE</u>	<u>AMOUNT PAID</u>	<u>NOTATION MADE BY</u>
		Base Rate plus 1/2%		

EXHIBIT C

FORM OF OPINION OF COUNSEL TO THE COMPANY

May 4, 1989

The First National Bank of Boston  
100 Federal Street  
Boston, Massachusetts 02110

Re: Revolving Credit and Term Loan Agreement dated as of  
May 4, 1989 by and between Providence and Worcester  
Railroad Company (the "Company") and The First National  
Bank of Boston (the "Bank")

Gentlemen:

I have acted as counsel for the Company in connection with the preparation, execution and delivery of the Revolving Credit and Term Loan Agreement dated as of May 4, 1989 (the "Agreement") between The First National Bank of Boston (the "Bank") and the Company, pursuant to which the Company has executed and delivered to the Bank its Revolving Loan Note in the principal amount of \$2,000,000.00 (the "Note"). Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

I have examined executed counterparts of the Agreement and the Note and originals, or copies, the authenticity of which has been established to my satisfaction of such other documents, corporate records, agreements and instruments and certificates of public officials and officers of the Company as I have deemed necessary as the basis for the opinions herein expressed. As to the questions of fact material to such opinions, I have, when relevant facts were not independently established, relied upon certifications by officers of the Company.

Based on the foregoing and having regard for legal considerations as I have deemed relevant, it is my opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island, has all requisite corporate power to own its property and conduct its business as now conducted and is duly qualified and in good standing as a foreign corporation and duly authorized to do business in each jurisdiction wherein the nature of its properties or business requires such qualification, except where the failure to be so qualified would not have a material adverse effect on its business, financial condition, assets or properties taken as a whole.

2. The execution and delivery of the Agreement and the Note and performance by the Company of its obligations thereunder and of the transactions contemplated thereby are within the corporate power and authority of the Company, and have been authorized by proper corporate proceedings and do not contravene any provision of law of the United States or its political subdivisions or the Certificate of Incorporation or By-Laws of the Company, or, to the best of my knowledge, contravene any provision of, or constitute an event of default or event which, with the lapse of time or the giving of notice, or both, would constitute an event of default under, any other agreement, instrument or undertaking binding on the Company.

3. The Agreement and the Note have been duly executed and delivered. I know of no reason why the choice of law provisions set forth in the Agreement and the Note, which set forth Massachusetts law as the governing law, would not be enforced by the courts of Rhode Island as agreed upon by the parties. However, if Rhode Island law is deemed to be the governing law, in whole or in part, each of the Agreement and the Note, and all of the terms and provisions thereof constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting enforcement of creditors' rights generally, and except as the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

4. The execution, delivery and performance of the Agreement and the Note and the transactions contemplated thereby do not require any approval or consent of, or filing or registration with, any governmental or other agency or authority, or any other party, other than the filing of the Agreement with the Interstate Commerce Commission, which filing will be accomplished immediately upon the signing of the Agreement.

5. There is no litigation, proceeding or investigation pending, or, to the best of my knowledge after due inquiry, threatened, against the Company or any Subsidiary which, if adversely determined, would result in a material judgment not substantially covered by insurance or would otherwise have a material adverse effect on the assets, business or prospects of the Company and its Subsidiaries, taken as a whole.

6. Each Subsidiary of the Company is a corporation duly organized, validly existing and in good standing under the laws

of its jurisdiction of incorporation, has all requisite corporate power to own its property and conduct its businesses as now conducted and is duly qualified and in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where the nature of its properties or businesses requires such qualification, except where the failure to be so qualified would not have a material adverse effect on its business, financial condition, assets or properties taken as a whole.

7. As of the date of the Agreement, all the Subsidiaries of the Company are listed on Exhibit D thereto. The Company is the record holder of all of the issued and outstanding stock of each of its subsidiaries. All shares of such stock have been validly issued and are fully paid and nonassessable, and no rights to subscribe to any additional shares have been granted, and no options, warrants or similar rights are outstanding.

8. The UCC-1 financing statements naming the Bank as Secured Party and the Company as Debtor have been duly filed as set forth in Schedule 1 hereto, these being the only places provided by the laws of the States of Connecticut, Massachusetts and Rhode Island for filing in order to perfect a security interest in the Collateral. The UCC-1 financing statements, together with the Agreements, create in favor of the Bank a valid and perfected security interest in, and continuing lien on, such Collateral now owned or hereafter acquired by the Company, which lien is enforceable against the Company as security for the Obligations, as defined in the Agreement, whether now outstanding or hereafter incurred. Except as set forth on Schedule 2 hereto, there are no other financing statements on file in the offices listed thereon naming the Company as covering the Collateral Debtor nor are there any judgments or tax liens on file against the Company in any office designated for the filing of such liens.

9. All federal, state and local recording, franchise, stamp, documentary and other taxes and governmental charges and assessments required to be paid in connection with the execution, delivery, filing or recordation of, or a condition to the enforcement of, the Agreement, including, without limitation, the liens and security interest grants contained therein and any of the transactions referred to in this opinion have been duly paid.

10. Under the laws in existence as of the date hereof, no approval or consent of, filing or registration with, or license from, any governmental or other agency or authority, or any other party, is necessary in order for the Bank to sell or dispose of any of the Collateral should the Bank exercise its rights to do so pursuant to the Agreement.

Very truly yours,

EXHIBIT D

PROVIDENCE AND WORCESTER RAILROAD COMPANY

RESTRICTIONS ON TITLE; ENCUMBRANCES

1. Mortgage to Capital Properties, Inc., on property described in Attachment 1 to secure indebtedness of \$9,183,221.
2. Mortgage to IteI Rail Corporation on properties designated in Attachment 2 to secure indebtedness of \$1,973,068.
3. Mortgage to Bank of New England, Worcester on Engine House and certain land on Southbridge Street in Worcester, Massachusetts, to secure indebtedness of \$313,659.
4. Security Interest in Company's customer accounts receivables, securing revolving credit line to Company from Bank of New England in current amount of \$500,000; Company is currently negotiating an extension of that line to \$2,000,000.
5. The Company's real properties are or may be subject to various encumbrances such as crossing rights, fencing rights, easements for pole lines, utility installations, and communication facilities. The Company has not undertaken a complete title search of its real properties. The title to such properties consists of the following: fee simple, location title (i.e.--fee simple defeasible); or easements in perpetuity for all railroad operations.

EXHIBIT A TO MORTGAGE DEED

All that railroad right-of-way five rods in width (2-1/2 rods on each side of the monumented railroad center line) owned by Mortgagor in Worcester County, Massachusetts, consisting of Mortgagor's Main Line (between the Rhode Island state line and South Worcester, in the City of Worcester, Massachusetts), its Norwich Branch (between the Connecticut state line and South Worcester in the City of Worcester, Massachusetts), and its Gardner Branch (between its connection to the Boston & Maine Railroad Corporation's east-west mainline in the City of Gardner, Massachusetts and South Worcester in the City of Worcester, Massachusetts). The aforesaid Main Line, Norwich Branch and Gardner Branch join together in the City of Worcester, Massachusetts, and pass through or into the following cities and towns:

Gardner  
Hubbardston  
Princeton  
Jefferson  
Holden  
Worcester  
Auburn  
Oxford  
Webster  
Millbury  
S. Grafton  
Sutton  
Northbridge  
Uxbridge  
Blackstone

No new boundaries are created by this instrument.

## ATTACHMENT 2

<u>DESCRIPTION</u>	<u>P&amp;W MAP DESIGNATION</u>	<u>VALUE</u>
Property No. 1 8 acres Map 105 Block 1 Parcel 1 East Providence, RI	E. Prov. Br. ST-8	\$350,000
Property No. 2 3.67 acres Map 6 Block 1 Parcel 1 East Providence, RI	E. Prov. Br. ST-10	\$200,000
Property No. 3 Wilkesbarre Pier Map 7 Block 1 Parcel 1.] East Providence, RI	E. Prov. Br. ST-10	\$750,000
Property No. 4 Quay (under construction) Map 7 Block 1 Parcel 3 East Providence, RI	E. Prov. Br. ST-10	\$850,000
Property No. 5 West of Dexter Road Map 204 Block 1 Parcel 4 East Providence, RI	E. Prov. Br. ST-7,8	\$160,000
Property No. 6 River Street Plat 60-8, portion of Lot 22 Woonsocket, RI	Main ST-12	\$150,000
Property No. 8 Cumberland Former Freight Office Plat 2 Lot 133 Cumberland, RI	Main ST-1	\$125,000
Property No. 9 MOV Properties Plat 37 Lot 144 (portion of) Lincoln, RI	MOV Ind.-2	\$150,000
Property No. 11 Piggyback Yard, Pine St. Plat 45B and 53, Lot 559 Pawtucket, RI	Main ST-5	\$950,000
Property No. 13 Administration Bldg. & Garage Book 7 Tract 2 Worcester, MA	Main ST-38	\$100,000

## ATTACHMENT 2 (Continued)

<u>DESCRIPTION</u>	<u>P&amp;W MAP DESIGNATION</u>	<u>VALUE</u>
Property No. 19 10 Acre Parcel and Bldg. Plat 39B Lot 2 Plainfield, CT	Willimantic Br.-1	\$485,000
Property No. 20 1.83 acre parcel Plat 40B Lot 21 Plainfield, CT	Willimantic Br.-2	\$ 95,000
Property No. 21 1.01 acre and building Plat 40B Lot 21 Plainfield, CT	Willimantic Br.-2	\$ 65,000

EXHIBIT E

PROVIDENCE AND WORCESTER RAILROAD COMPANY

LITIGATION

A number of suits are pending against the Company, many of which are covered by insurance subject to a deductible. While estimated exposures have been provided for, it is management's opinion that additional liability, if any, will not be material to the operations of the Company.

EXHIBIT F

PROVIDENCE AND WORCESTER RAILROAD COMPANY

SUBSIDIARIES

Clinton Properties, Inc., a Rhode Island corporation  
and a wholly-owned subsidiary of the Company

EXHIBIT G

PROVIDENCE AND WORCESTER RAILROAD COMPANY

UCC-1 FINANCING STATEMENTS AND FILING LOCATIONS

Financing Statements Covering the Collateral  
in favor of the Bank

<u>Location of Filing</u>	<u>Date of Filing</u>	<u>Filing Number</u>
Massachusetts S/S		
Worcester City Clerk		
Rhode Island S/S		
Connecticut S/S		

Financing Statements covering the Collateral  
in favor of other Secured Parties

None

EXHIBIT H

PROVIDENCE AND WORCESTER RAILROAD COMPANY

REPORT OF PRINCIPAL FINANCIAL OFFICER

PROVIDENCE AND WORCESTER RAILROAD COMPANY (the "Company")  
HEREBY CERTIFIES that:

This Report is furnished pursuant to Section 5.1(c) of the Revolving Credit and Term Loan Agreement dated as of May 4, 1989 by and between the Company and The First National Bank of Boston (the "Agreement"). Unless otherwise defined herein, the terms used in this Report have the meanings given to them in the Agreement.

As required by Section 5.1(a) and (b) of the Agreement, consolidated financial statements of the Company and its Subsidiaries for the [year/quarter] ended \_\_\_\_\_, 19\_\_ (the "Financial Statements") prepared in accordance with generally accepted accounting principles consistently applied accompany this Report. The Financial Statements present fairly the consolidated financial position of the Company and its Subsidiaries as at the date thereof and the consolidated results of operations of the Company and its Subsidiaries for the period covered thereby (subject only to normal recurring year-end adjustments).

The figures set forth in Schedule A for determining compliance by the Company with the financial agreement contained in the Agreement and the borrowing base computations set forth therein are true and complete as of the date hereof.

The activities of the Company and its Subsidiaries during the period covered by the Financial Statements have been reviewed by the Principal Financial Officer or by employees or agents under his immediate supervision. Based on such review, to the best knowledge and belief of the Principal Financial Officer, and as of the date of this Report, no Default has occurred.\*

WITNESS my hand this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

By: \_\_\_\_\_  
Title:

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\* If a Default has occurred, this paragraph is to be modified with an appropriate statement as to the nature thereof, the period of existence thereof and what action the Company has taken, is taking, or proposes to take with respect thereto.

SCHEDULE A  
to  
EXHIBIT H

1. Value of Collateral to Loans (Section 5.21)

Minimum Required: 125%

ACTUAL:

- (i) Appraised Value of Collateral  
(from most recent of (a) report  
of \_\_\_\_\_ dated \_\_\_\_\_;  
or (b) report obtained by the  
Bank pursuant to Section 5.7(ii))\$ \_\_\_\_\_
- (ii) Loans outstanding \$ \_\_\_\_\_
- (iii) Line (i) expressed as a  
percentage of line (ii) \_\_\_\_\_ %

2. Borrowing Capacity

- (i) 70% of net book value of  
Collateral \$ \_\_\_\_\_
- (ii) Revolving Loan Commitment: \$ \_\_\_\_\_
- (iii) Total borrowing potential  
(lesser of (i) and (ii)) \$ \_\_\_\_\_
- (iv) Less: Loans Outstanding: \$ \_\_\_\_\_
- (v) Available for borrowing or due  
Bank (if negative) \$ \_\_\_\_\_

WITNESS my hand this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

PROVIDENCE AND WORCESTER RAILROAD  
COMPANY

By: \_\_\_\_\_  
Title:

EXHIBIT I

PROVIDENCE AND WORCESTER RAILROAD COMPANY

INDEBTEDNESS

Indebtedness as of April 30, 1989

Mortgage Notes Payable:

Capital Properties, Inc.  
Principal Balance 4/30/89 \$9,183,220.95  
Interest Rate 12%  
Maturity January 1, 2008  
Collateral -- operating properties in Worcester County, Mass.

Itel Rail Corporation  
Principal Balance 4/30/89 \$1,973,067.87  
Interest Rate 8 $\frac{1}{2}$ %  
Maturity July 1, 1999  
Collateral -- various parcels of real estate, per schedule

Bank of New England, Worcester  
Principal Balance 4/30/89 \$313,658.84  
Interest Rate 60% of Prime  
Maturity January 1, 1994  
Collateral -- Engine House, Worcester, Massachusetts

Revolving Credit Line  
Bank of New England  
Total Line \$500,000  
In use, April 30, 1989 500,000  
Interest Rate Prime  
Maturity Demand  
Collateral -- Customer accounts receivable.  
Extension of line -- currently negotiating to extend the line to up to \$2,000,000.

EXHIBIT J

PROVIDENCE AND WORCESTER RAILROAD COMPANY

GUARANTEES

None

EXHIBIT K

PROVIDENCE AND WORCESTER RAILROAD COMPANY

COLLATERAL

<u>TYPE/MFGR.</u>	<u>UMLER NUMBER</u>	<u>YEAR OF ACQUISITION</u>	<u>FMV PER APPRAISAL</u>
Locomotives (8):			
General Electric	1801 ✓	1976	\$ 240,000
" "	2201 ✓	1978	345,000
General Motors	2006 ✓	1980	385,000
" "	2007 ✓	1980	385,000
" "	2008 ✓	1980	385,000
" "	2009 ✓	1982	445,000
" " (used)	2010 ✓	1984	130,000
" " "	2011 ✓	1984	130,000
			<u>\$2,445,000</u>

100T Gondolas (36):

Greenville	*WRWK 20001	1980	25,900
"	*WRWK 20002	1980	25,900
"	PW 20003	1980	25,900
"	PW 20004	1980	25,900
"	PW 20005	1980	25,900
"	PW 20006	1980	25,900
"	*WRWK 20007	1980	25,900
"	PW 20008	1980	25,900
"	PW 20009	1980	25,900
"	*WRWK 20010	1980	25,900
"	PW 20011	1980	25,900
"	*WRWK 20012	1980	25,900
"	*WRWK 20013	1980	25,900
"	*WRWK 20014	1980	25,900
"	PW 20015	1980	25,900
"	*WRWK 20016	1980	25,900
"	*WRWK 20017	1980	25,900
"	*WRWK 20018	1980	25,900
"	*WRWK 20019	1980	25,900
"	*WRWK 20020	1980	25,900
"	*WRWK 20021	1980	25,900
"	*WRWK 20022	1980	25,900
"	PW 20023	1980	25,900
"	*WRWK 20024	1980	25,900
"	*WRWK 20025	1980	25,900
"	PW 20026	1980	25,900
"	*WRWK 20027	1980	25,900

<u>TYPE/MFGR.</u>	<u>UMLER NUMBER</u>	<u>YEAR OF ACQUISITION</u>	<u>FMV PER APPRAISAL</u>
"	*WRWK 20028	1980	25,900
"	*WRWK 20029	1980	25,900
"	*WRWK 20030	1980	25,900
"	PW 20031	1980	25,900
"	PW 20032	1980	25,900
"	PW 20033	1980	25,900
"	PW 20034	1980	25,900
"	*WRWK 20035	1980	25,900
"	PW 20036	1980	25,900
			<u>932,400</u>
		TOTAL	<u>\$3,377,400</u>

\* All gondolas having "WRWK" car initials are being restenciled with the initials "PW" and will be re-registered with UMLER.