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WASHINGTON, D.C.
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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

June 3, 1996

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

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Complete Termination and Release of Security Interests and Liens, dated May 31, 1996, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to Security Agreement previously filed with the Commission under Recordation Number 19302.

The name and address of the party to the enclosed document are:

Secured Party: The CIT Group/Credit Finance, Inc.
135 West 50th Street
New York, New York 10020

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

set forth in the Supplemental Security Agreement as previously filed herein.

Countrywide - Edward M. Linn

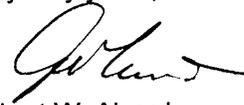
19302-b

Mr. Vernon A. Williams
June 3, 1996
Page 2

Also enclosed is a check in the amount of \$21.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

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

Very truly yours,



Robert W. Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20427-0001

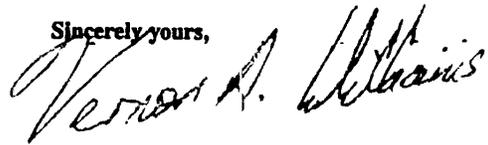
6/3/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/3/96 at 11:50AM, and assigned recordation number(s). 19302-B, 20118 and 20119.

Sincerely yours,



Vernon A. Williams
Secretary

Enclosure(s)

\$ 63.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



SENT BY:

5-80-96 ;12:05PM ;PIERCE, ATWOOD ET AL→

12124086068;# 3/10



Interstate Commerce Commission
Washington, D.C. 20423-0001

3/21/95

Office Of The Secretary

Richard B. Polivy, Esq.
DeGregorio & Polivy
Six Central Row-2nd Floor
Hartford, CT. 06103

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 3/21/95 at 3:05PM, and assigned recordation number(s). 19302.

Sincerely yours,

Vernon A. Williams
Secretary

Enclosure(s)

0100567088)

§ 21/00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

SENT BY:

5-30-96 :12:05PM :PIERCE, ATWOOD ET AL→

12124086068;# 4/10

*Please acknowledge
and return
this copy*

19302
RECORDATION NO. _____ FILED 1425
MAR 21 1995 -3 05 PM
INTERSTATE COMMERCE COMMISSION

SUPPLEMENTAL SECURITY AGREEMENT

Dated as of March 17, 1995

between

THE CIT GROUP/CREDIT FINANCE, INC.
Secured Party

and

BANGOR & AROOSTOOK RAILROAD COMPANY,
Borrower

To the extent, if any, that this Security Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Security Agreement may be created through the transfer or possession of any counterpart other than the original counterpart identified as original chattel paper counterpart executed by The CIT Group/Credit Finance, Inc., as Secured Party, on or immediately following the signature page thereof.

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 on _____, 1995 at _____ .M. Recordation Number

SUPPLEMENTAL SECURITY AGREEMENT

This Supplemental Security Agreement ("Security Agreement"), dated as of March 17, 1995, is made by and between Bangor & Aroostook Railroad Company, a Maine corporation having an address at RR2, Northern Maine Junction Park, Bangor, Maine 04401 (together with its successors and assigns, "Borrower"), and The CIT Group/Credit Finance, Inc., a New York corporation having an address of 135 West 50th Street, New York, New York 10020 (together with its successors and assigns, "Secured Party").

RECITALS

A. Borrower and Secured Party have entered into a Loan and Security Agreement of even date herewith (the "Credit Agreement") which provides, subject to the terms and conditions thereof, for Secured Party to make advances up to Two Million Five Hundred Thousand (\$2,500,000) Dollars under a revolving line of credit to Borrower.

B. In order to induce Secured Party to enter into the Credit Agreement, Borrower has granted a security interest in certain assets which are set forth below under Section 2 subject to certain exclusions set forth on Schedule 2 hereto to secure all of its Obligations (as hereinafter defined).

C. Secured Party has conditioned its obligations to make advances under the Credit Agreement upon the execution and delivery of this Supplemental Security Agreement which is to be filed with the Interstate Commerce Commission to perfect the interest of Secured Party in the items set forth below.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower hereby agrees with Secured Party as follows:

SECTION 1. Definitions.

(a) Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given to such terms in the Credit Agreement.

(b) Unless otherwise defined herein, all terms defined in Article 9 of the Uniform Commercial Code in effect as of the date hereof in the State of New York are used herein as therein defined.

(c) Obligations shall mean any and all revolving loans and all other indebtedness, liabilities and obligations of every kind, nature and description owing by Borrower to Secured Party and/or its affiliates, including principal, interest, charges, fees and

expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, or after the commencement of any case with respect to Borrower under the United States Bankruptcy Code or any similar statute, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, original, renewed or extended and whether arising directly or howsoever acquired by Secured Party including from any other entity outright, conditionally or as collateral security, by assignment, merger with any other entity, participations or interests of Secured Party in the obligations of Borrower to others, assumption, operation of law, subrogation or otherwise and shall also include all amounts chargeable to Borrower under the Credit Agreement or in connection with any of the foregoing.

SECTION 2. Grant of Security Interest. To secure the prompt and complete payment and performance when due of all Obligations, indebtedness and liabilities of Guarantor to Secured Party now or hereafter existing under, arising out of or in any way connected with the Credit Agreement or any other agreements between Secured Party and Borrower whether for principal, interest, fees, expenses or otherwise, Guarantor hereby assigns and pledges to Secured Party and grants to Secured Party a security interest in and lien on all of Borrower's personal property and other property interests, including, without limitation, the following, in each case whether now owned or hereafter acquired and wherever located (all of such personal property and other property interests, including the property described below, being called the "Collateral"):

All now owned and hereafter acquired right, title and interest of Borrower in, to and in respect of all: accounts (including but not limited to) accounts arising from transportation services involving local freight, forwarded freight, received freight, car hire, demurrage, switching, additional freight charges, storage, weighing of railroad cars or freight, flagging, truck repair or leasing of property or real estate, interests in goods represented by accounts, returned, reclaimed or repossessed goods with respect thereto and rights as an unpaid vendor; contract rights; chattel paper; general intangibles (including, but not limited to, tax and duty refunds, registered and unregistered patents, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims, all amounts received as a settlement of litigation or arbitration, interests in joint ventures and partnerships and existing and future leasehold interests in equipment, real estate and fixtures); documents; instruments; letters of credit, bankers, acceptances or guaranties; cash monies, deposits, securities, bank accounts, deposit accounts, credits and other property now or hereafter held in any capacity by Lender, its affiliates or any entity which, at any time, participates in Lender's financing of Borrower or at any other

depository or other institution; agreements or property securing or relating to any of the items referred to above;

All now owned and hereafter acquired right, title and interest of Borrower in, to and in respect of goods, including, but not limited to:

All inventory, wherever located, whether now owned or hereafter acquired, of whatever kind, nature or description, including all raw materials, work-in-process, finished goods, and materials to be used or consumed in Borrower's business, all track and switch parts and supplies, rails and rail stock, ties, tie plates, cross ties and other tie stock, diesel stock, freight car repair material, wheels, lumber, bolts, steel, air brakes, oil and gasoline, tools, hardware and other miscellaneous inventory; and all names or marks affixed to or to be affixed thereto for purposes of selling same by the seller, manufacturer, lessor or licensor thereof;

All machinery, equipment and moveable or removable fixtures wherever located, whether now owned or leased or hereafter acquired, machinery, equipment, vehicles, trucks, rolling stock, locomotives and fixtures in all their respective forms, including without limitation tools, furniture, records, signaling, audio or visual equipment, all parts thereof, all additions and accessions thereto, and all substitutions therefor and replacements thereof, including, without limitation, (i) Debtor's leasehold interest in the any equipment subject to a Equipment Lease Agreement between Borrower and The CIT Group/Equipment Financing, Inc. dated as of March 15, 1995, (ii) Debtor's leasehold interests in the rolling stock and locomotives leased by Debtor pursuant to the equipment leases other than the Equipment Lease Agreement specified in (i) above or otherwise leased by Debtor in connection with its business, and (iii) 50 foot railroad boxcars, railroad flat cars, railroad chip cars, railroad open log cars, railroad covered hopper cars, railroad open top hopper cars, GP38 locomotives, together with all other machinery, equipment, motor vehicles, furniture and fixtures, and any and all additions, substitutions, replacements (including spare parts), and accessions thereof and thereto including but not limited to the items set forth on Schedule 1 to this Supplemental Security Agreement;

All consumer goods, farm products, crops, timber, minerals or the like (including oil and gas), wherever located, whether now owned or hereafter acquired, of whatever kind, nature or description;

All now owned and hereafter acquired right, title and interests of Borrower in, to and in respect of any other personal property in or upon which Lender has or may hereafter have a security interest, lien or right of setoff;

All present and future books and records relating to any of the above including, without limitation, all computer programs,

printed output and computer readable data in the possession or control of the Borrower, any computer service bureau or other third party;

All products and proceeds of the foregoing in whatever form and wherever located, including, without limitation, all insurance proceeds and all claims against third parties for loss or destruction of or damage to any of the foregoing.

Borrower hereby grants to Lender a security interest in and assigns its rights, title and interest in and to any and all claims, demands or causes of action, now or hereafter held by Borrower or arising out of the breach or inaccuracy of any of the representations and warranties contained in a Stock Purchase Agreement between Downeast Securities Corporation and Bangor & Aroostook Acquisition Corporation dated as of December 13, 1994, as amended from time to time, and specifically in and to all rights of action and the proceeds thereof arising under Article XI of said Stock Purchase Agreement and in and to all rights of action and the proceeds thereof arising against Amoskeag Company and Fieldcrest Cannon, Inc. as guarantors of such indemnifications under Section 11.4 of the aforesaid Stock Purchase Agreement. Borrower also includes in the security interest grant and assignment of rights to Lender stated in the preceding sentence any and all rights to payments and other proceeds or amounts due to it under Article VIII of the aforesaid Stock Purchase Agreement.

Neither this Agreement, nor any provision of the Guarantor Security Agreement between Lender and Bangor & Aroostook Acquisition Corporation nor any consent to the by Downeast Securities, Inc., Amoskeag Company or Fieldcrest Cannon, Inc. in the Bangor & Aroostook Acquisition Corporation Guarantor Security Agreement, shall affect or impair any right, claim or defense of any party arising under or related to that certain Stock Purchase Agreement dated as of December 13, 1994 by and between Bangor & Aroostook Acquisition Corporation and Downeast Securities, Inc., as amended, including, without limitation, any right of any party to offset, dollar for dollar, obligations of such party against obligations of any other party arising under or related to said Stock Purchase Agreement, as amended.

Notwithstanding anything to the contrary contained herein, specifically excluded from the grant of any security interest contained in this Supplemental Security Agreement are the items set forth on Schedule 2 hereto.

TO HAVE AND TO HOLD the Collateral, together with all rights, titles, privileges and preferences appertaining or incidental thereto, unto Secured Party and its successors and assigns forever, subject, however, to the terms, covenants and conditions set forth herein.

SECTION 3. Continuing Security Interest; Successors and Assigns.

This Supplemental Security Agreement shall confirm the continuing security interest in the Collateral granted under the Credit Agreement, is executed for the purposes of perfecting the security interest with the Interstate Commerce Commission and shall remain in full force and effect until indefeasible payment in full of the Obligations or otherwise knowingly and voluntarily released its security interest in the Collateral by an instrument in writing and shall further be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 4. Incorporation of Terms of Credit Agreement.

All of the terms and provisions of the Credit Agreement shall be deemed to be incorporated herein as if fully set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

BORROWER:

BANGOR & AROOSTOOK RAILROAD COMPANY, a Maine corporation

By

Name

Its

SECURED PARTY:

THE CIT GROUP/CREDIT FINANCE, INC., a New York corporation

By

Name:

Richard F. Assaf

Assistant Vice President

THIS IS THE ORIGINAL CHATTEL PAPER COUNTERPART OF THIS SECURITY AGREEMENT

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

On this 17 day of March 1995, before me personally appeared RICHARD F. ASSAF, to me personally known, who being by me duly sworn, says that he is the ASST V.P. of THE CIT GROUP/CREDIT FINANCE, INC., a New York corporation, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public
My Commission Expires: _____

[SEAL]

MATTHEW T. COLLINS
Notary Public, State of New York
No. 31-4971893
Qualified in New York County
Commission Expires Sept. 10, 19 96

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

On this 17 day of March, 1995, before me personally appeared ALFRED E. MICHAEL, to me personally known, who being by me duly sworn, says that he/she is PRESIDENT of BANGOR & AROOSTOOK RAILROAD COMPANY, a Maine corporation, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he/she acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public
My Commission Expires: _____

[SEAL]

MATTHEW T. COLLINS
Notary Public, State of New York
No. 31-4971893
Qualified in New York County
Commission Expires Sept. 10, 19 96