

1-015A050

HILL
&
BARLOW

A PROFESSIONAL CORPORATION

ONE INTERNATIONAL PLACE
BOSTON • MASSACHUSETTS 02110-2607
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RECORDATION NO. 17197 FILED 1475

JAN 15 1991 -2 15 PM

INTERSTATE COMMERCE COMMISSION

MOTOR OPERATING UNIT I

JAN 15 2 04 PM '91

January 14, 1991

BY FEDERAL EXPRESS

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Attention: Mildred Lee, Recording

Re: Loan and Security Agreement Between Thrift Institutions
Fund for Economic Development and Housatonic Railroad
Co., Inc., Housatonic Track Company, Inc. and
Connecticut Railroad Leasing Company, Dated as of
January 14, 1991.

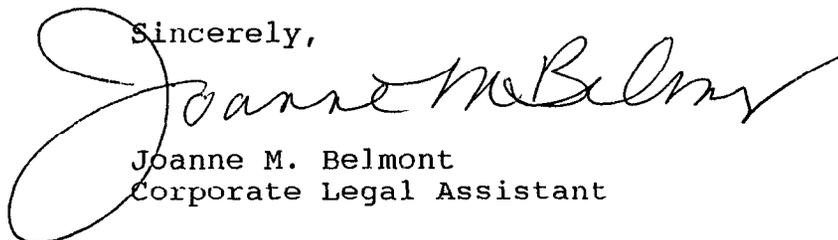
Dear Ms. Lee:

Enclosed for recording please find the original and one
notarized copy of the above-referenced Loan and Security
Agreement. Also enclosed is our check for \$15.00 in payment of
the recording fee. Please take what ever steps necessary to
record this document.

Please return the acknowledgement to my attention at Hill &
Barlow, One International Place, 100 Oliver Street, Boston, MA
02110. If any questions or delays arise, please call me at (617)
439-3555, ext. 228.

Thank you for your assistance in this matter.

Sincerely,



Joanne M. Belmont
Corporate Legal Assistant

BELM - EQ1

Interstate Commerce Commission
Washington, D.C. 20423

1/23/91

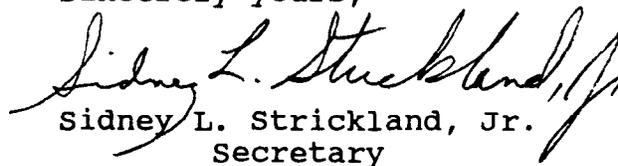
OFFICE OF THE SECRETARY

Joanne. M. Belmont
Corporate Legal Assistant
Hill & Barlow
One OInternational Place
Bostpn,MA. 02110

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 1/15/91 at 2:15pm , and assigned recordation number(s). 18 17197

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

RECORDED NO 17197

JAN 15 1991 - 2:15 PM

INTERSTATE COMMERCE COMMISSION
COMMONWEALTH OF MASSACHUSETTS

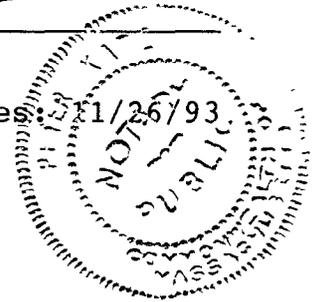
Suffolk, ss.

January 14, 1991

The undersigned has compared the attached photocopy of an executed Loan and Security Agreement among Thrift Institutions Fund for Economic Development and Housatonic Railroad Co., Inc., Housatonic Track Company, Inc. and Connecticut Leasing Company dated January 14, 1991 with the original of the same and attests that the attached is a true and complete copy of said original.



Peter Katz
Notary Public
My Commission Expires 1/26/93



Katz/.MS8

RECORDATION NO **17197** FEB 1991

AF4/BAKE

JAN 15 1991 -2 15 PM
INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

BETWEEN

THRIFT INSTITUTIONS FUND FOR ECONOMIC DEVELOPMENT

AND

**HOUSATONIC RAILROAD CO., INC., HOUSATONIC TRACK
COMPANY, INC. AND CONNECTICUT RAILROAD LEASING COMPANY**

DATED AS OF

January 14, 1991

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AM4/BAKE

LOAN AND SECURITY AGREEMENT

Loan and Security Agreement, dated as of January 14, 1991 (this "Agreement", which term shall mean this document and any amendments hereto), between the Thrift Institutions Fund for Economic Development, an unincorporated association ("Lender") formed under Chapter 485 of the Acts of 1984 of the General Court of the Commonwealth of Massachusetts (the "Statute"), as the lender, and Housatonic Railroad Co., Inc. ("Rail Co."), a corporation chartered in Connecticut and Massachusetts, Housatonic Track Company, Inc. ("Track Co."), a Massachusetts corporation, and Connecticut Railroad Leasing Company ("Leasing Co."), a Connecticut corporation, (collectively "Borrower"), as the borrowers.

Preliminary Statement

Lender was created for the purpose of providing funds, pursuant to and in accordance with the Statute, to certain economic development projects which are to serve a public purpose and fill a public need, and which are unable to obtain capital in the usual manner. Borrower desires to purchase the real property described in Exhibit A-1 and appurtenant fixtures, track, and structures (the "Project"), and to borrow funds to do so. Lender and Borrower are entering into this Agreement to establish the terms and conditions upon which Lender will loan funds to Borrower to accomplish the Project and Borrower will pay such loan.

Agreements

NOW, THEREFORE, in consideration of their mutual covenants and agreements as hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower agree as follows:

1. Definitions. The terms referred to below shall have the meanings set forth below:

1.1 "Agent" means the party identified as such in Exhibit C, or its successors or assigns, which has been designated by Lender as its agent to originate and service the Loan as set forth in paragraph 11.

1.2 "Closing Date" means the date of the execution and delivery by Borrower of the Note.

1.3 "Collateral" means (i) all Track Co.'s right, title and interest in and to real property (including fixtures, track and structures) located in Berkshire County, Massachusetts; (ii) all Leasing Co.'s right, title and interest in and to one 1955 Built Electro Motive Locomotive Model GP-9 (the

"Locomotive"); (iii) all Rail Co.'s right title and interest in and to all its rolling stock and other Equipment, now owned or hereafter acquired; and (iv) all Track Co.'s and Rail Co.'s right, title and interest in and to all Receivables, now owned or existing or hereafter acquired or arising; together with any Lien, guaranty, security, right, remedy or privilege pertaining to any of the foregoing, accessions or accretions to, substitutions for and replacements of any of the foregoing, and all proceeds of the foregoing in whatever form, cash or noncash, including proceeds of insurance policies (casualty or theft) relating to any of the foregoing, and awards from any taking of, or condemnation or eminent domain proceedings relating to, any of the foregoing, or proceeds from a conveyance or lien thereof, and proceeds of any disposition of proceeds thereof; and all books and records relating to the conduct of Borrower's business including, without limitation, those relating to Receivables.

1.4 "Customer" means, as the case may be, the account debtor with respect to any Receivable, the prospective purchaser of goods, services or both with respect to any contract or contract right owned by or assigned to Borrower, or any party who enters into or proposes to enter into any contract or other arrangement owned by or assigned to Borrower pursuant to which any personal property is to be delivered or any services are to be performed.

1.5 "Equipment" means all equipment, machinery, furniture and other goods of any nature whatsoever, and any interests therein, owned, leased or otherwise used by Borrower in the conduct of its business, including, without limitation, the Equipment described in Exhibit A-2, and including Equipment in which Borrower has a security interest and Equipment which is or may become fixtures.

1.6 "Event of Default" means any event described in paragraph 8.

1.7 "Financial Statements" means the financial statements described in Exhibit B.

1.8 "Guarantor" means any guarantor of Borrower's Obligations, in whole or in part.

1.9 "Indebtedness" means (i) all items, except items of capital stock or of surplus, which in accordance with generally accepted accounting principles as customarily applied to the party in question would be included in determining total liabilities as shown on the liability side of a balance sheet as of the date Indebtedness is to be determined, (ii) to the extent not included in the foregoing, all indebtedness, obligations, and liabilities secured by any mortgage, pledge, lien, conditional

sale or other type of title retention agreement or other security interest to which any property or asset owned or held by the party in question is subject, whether or not the indebtedness, obligations or liabilities secured thereby shall have been assumed by the party in question, (iii) to the extent not included in the foregoing, the book value of any asset which would appear as such on a balance sheet as of the date Indebtedness is to be determined and which is held in escrow for, or is otherwise subject to, application (contingently or otherwise) to any indebtedness, obligation, liability of, or loss or damage suffered by, another (except that if the maximum amount for which such asset may be applied is ascertainable and is less than the book amount of such asset, the amount of such Indebtedness shall be limited to the maximum amount for which such asset may be applied), and (iv) to the extent not included in the foregoing, all indebtedness, obligations and liabilities of others which by the party in question have been directly or indirectly guaranteed, endorsed (other than for collection or deposit in the ordinary course of business), sold with recourse or agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire or in respect of which there is agreement (contingent or otherwise) by the party in question to supply or advance funds (whether by way of loan, stock purchase, capital contribution or otherwise) or otherwise in respect of which there is direct or indirect liability of the party in question.

1.10 "Interest Rate" means the rate of interest for the Loan as set forth in Exhibit C.

1.11 "Inventory" means any goods, wares, merchandise, raw materials, supplies, components, work in process, finished goods and other tangible personal property held by Borrower for processing, sale or lease or furnished or to be furnished by Borrower under contracts of service or to be used or consumed in Borrower's business, or in which Borrower has a security interest.

1.12 "Leases" means all leases of personal property to which Debtor is a party as lessor together with the leases described in Exhibit D, together with all amendments and supplements thereto and all renewals, extensions and replacements thereof.

1.13 "Lien" means any mortgage, pledge, security interest, encumbrance, lien, license, right-of-way, easement, encroachment or charge of any kind on any property, and any agreement to give any of the foregoing.

1.14 "Loan" means the loan made to Borrower hereunder in the original principal amount set forth in Exhibit C, together with all interest accrued thereon, all premiums and other charges related thereto and all other sums owed by Borrower on account of such loan under this Agreement or any Loan Document.

1.15 "Loan Document" means each or any, as the case may be, of the documents listed in Exhibit E, and any amendments thereto.

1.16 "Maturity Date" means the maturity date for the Note as set forth in Exhibit C.

1.17 "Note" means the promissory note described in paragraph 2.2.

1.18 "Obligations" mean all Borrower's Indebtedness to Lender and all Borrower's other liabilities to Lender of every kind, nature and description, direct or indirect, secured or unsecured, joint, several, joint and several, absolute or contingent, due or to become due, now existing or hereafter arising, regardless of how such Indebtedness or liability arises or by what agreement or instrument it may be evidenced, or whether evidenced by any agreement or instrument, including, but not limited, to the Loan, any other Indebtedness or liability of Borrower under this Agreement or any Loan Document or under any other financing agreement between Lender and Borrower, and all amounts owing by Borrower to Lender by reason of purchases made by Borrower and financed by Lender which amounts, whether or not matured and whether or not disputed, may be charged to Borrower's account hereunder, with or without prior notice to Borrower, and all obligations of Borrower to Lender to perform acts or refrain from taking any action. Obligations shall not include any obligation or liability now existing or hereafter arising between Borrower and any one or more banks acting individually and not for the account of Lender.

1.19 "Payment Date" means any date for making a payment under the Note as set forth in Exhibit C.

1.20 "Permitted Encumbrances" means Prior Liens and other Liens which the Borrower is permitted to grant, either by the provisions of this Agreement or any Loan Document, or as described in Exhibit F.

1.21 "Prior Liens" means the Liens described as Prior Liens in Exhibit F.

1.22 "Receivables" means accounts, accounts receivable, contract rights, all interests in goods as to which a Receivable shall have arisen, instruments, documents, chattel paper and general intangibles (including choses in action), and all other rights to the payment of money, whether secured or unsecured, either owned by Borrower or in which Borrower has a security interest, and whether or not specifically sold or assigned to Lender by this Agreement or any Loan Document.

2. Loan; Note; Interest Payment.

2.1 Payment of Loan Proceeds. On the Closing Date or on such other schedule as may be set forth in Exhibit C, upon the satisfaction of the conditions set forth in paragraph 7, and if no Event of Default has occurred, Lender will advance to Borrower the original principal amount of the Loan set forth in Exhibit C.

2.2 Note. On the Closing Date, Borrower shall execute and deliver a promissory Note in the original principal amount set forth in Exhibit C. The Note shall bear interest as described in paragraph 2.3, shall be due and payable in full, together with all accrued interest and other sums and charges due under this Agreement or any Loan Document, on or before the Maturity Date, and shall otherwise be substantially in the form of Exhibit G.

2.3 Interest. The Note shall bear interest, from the Closing Date until the Note shall have been paid in full, on its outstanding principal balance at the Interest Rate and otherwise as provided in the Note.

2.4 Payments. On each Payment Date to and including the Maturity Date, Borrower will pay an amount equal to the amount of the Installment Payments or the Final Payment (as defined in Exhibit C), as the case may be. Payments shall be applied first to the payment of accrued and unpaid interest on the Loan and thereafter to principal. Any principal, interest or other sums due from Borrower and unpaid after the application of the Installment Payments, and not otherwise paid by Borrower, shall be due and payable on the Maturity Date.

2.5 Prepayments. Borrower shall have the right, at any time, to prepay the Loan in whole or in part, without penalty or premium. Any partial prepayment shall be applied to reduce the principal portions of the Final Payment and Installment Payments in inverse order of maturity. Any prepayment shall include both principal and accrued, unpaid interest to the date of the prepayment.

2.6 Place of Payments; Form; Automatic Debit. All payments to be made by Borrower pursuant hereto will be paid in lawful money of the United States of America in funds immediately available to Lender, at Agent's address as identified in the Note. Upon request of Agent, Borrower shall grant to Agent the right to debit, at any time and from time to time, Borrower's account at a bank designated in writing by Borrower in the amount of the Installment Payments and Final Payment to the extent such payments are due under the Note at the time of any such debit (including the amount of any additional interest that may be due with respect to a late payment or payments). Borrower shall

perform all acts and execute all instruments necessary to grant Agent such right. The absence of funds in said account of Borrower sufficient for Agent at any time to debit payments then due under the Note as described above shall be deemed an Event of Default of the type described in paragraph 8(i).

3. Grant of Security Interest. To secure the full and prompt payment and performance of the Loan and all other Obligations, Borrower hereby pledges and assigns to Lender, and grants to Lender a continuing security interest and mortgage (and all references in this Agreement to a "security interest" shall be understood as meaning a security interest or a mortgage in the Collateral, or both, as the context may require) in, the Collateral, wherever located, whether in Borrower's possession or in the possession and control of Lender or of a third party for Borrower's or Lender's account.

4. Representations and Warranties.

Each Borrower represents and warrants as follows:

4.1 Organization and Qualification. Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was organized and has the corporate power, authority and legal right to own its property as now owned and to carry on its business as now being conducted, and to enter into and carry out the terms and conditions of this Agreement and the Loan Documents; and (ii) is duly qualified as a foreign corporation to do business and is in good standing in every other jurisdiction in which the nature of its business or location of its property requires such qualification. Borrower has no subsidiaries.

4.2 Authority. All required corporate action necessary to authorize and enable Borrower to execute and deliver, and perform and comply with the terms and conditions of, this Agreement and the Loan Documents to which Borrower is a party and to consummate the transactions contemplated herein and therein has been taken. The stockholders of Borrower owning more than 5% of its issued and outstanding stock are set forth in Exhibit B. This Agreement and the Loan Documents to which Borrower is a party have been duly executed and delivered by Borrower, and are legal, valid and binding obligations of Borrower and enforceable in accordance with their terms.

4.3 Litigation. There are no legal actions, proceedings or governmental investigations, pending or threatened, against Borrower or any of its property, except as disclosed in Exhibit B.

4.4 Title; Leases. Borrower has good and marketable title to its real property and good title to all its other

property and assets, subject to no Lien except the Liens created by this Agreement and the Loan Documents, and Permitted Encumbrances. Borrower enjoys peaceful and undisturbed possession as lessee under all leases necessary in any material respect for the operation of its business, and such leases are valid and in full force and effect.

4.5 Taxes. Borrower has filed all federal, state and local income and other tax returns which are required to be filed, and has paid all taxes as shown on said returns and all other taxes, including but not limited to real estate taxes, and all assessments received by Borrower to the extent that such taxes and assessments have become due. Federal, state and local income tax returns of Borrower have been examined and reported on by the taxing authorities or closed by applicable statutes and satisfied for all fiscal years prior to and including the fiscal year ended on the date specified in Exhibit B. Borrower has not waived any applicable statute of limitations for federal taxes. The charges, accruals and reserves of taxes on the books of Borrower are adequate. Borrower knows of no basis upon which assessments may be made if such assessments are not now reserved against.

4.6 Compliance. Borrower has not materially violated, nor is Borrower in material violation of, any applicable law, regulation, order, judgment, or decree. Borrower is not a party to any contract or other agreement, or subject to any restriction under its charter documents, bylaws or other corporate instrument, or subject to any order, judgment, rule, regulation, or decree of any court or governmental authority, which materially and adversely affects its business, properties, assets or financial condition or which restricts or otherwise limits its incurring of the Loan or its performance and observance of its Obligations. Neither the execution and delivery by Borrower, nor the compliance by Borrower with the terms and conditions, of this Agreement or any Loan Document to which Borrower is a party, conflicts or will conflict with, constitutes or will constitute a default under, or results or will result in any violation of, the charter documents or bylaws of Borrower, any award of any arbitrator, any law, any order, judgment, rule, regulation or decree of any court or governmental authority, or any agreement or instrument to which Borrower is a party or any of its property is subject; nor does the same result nor will it result in the creation or imposition of any Lien upon any of its property except the Lien created by this Agreement or any Loan Document.

4.7 Margin Stock. Borrower owns no "margin stock" as such term is defined in Regulation U, as amended (12 C.F.R. Part 221), issued by the Board of Governors of the Federal Reserve System (the "Board"). None of the proceeds of the Loan will be used, directly or indirectly, for the purpose of purchasing or carrying any margin stock or for the purpose of

reducing or retiring any Indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute the Loan or any other Indebtedness incurred hereunder a "purpose credit" within the meaning of Regulation U or Regulation X (12 C.F.R. Part 224) of the Board. Neither Borrower nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or any Loan Document to violate Regulation U, Regulation T (12 C.F.R. Part 220), Regulation X or any other Regulation of the Board, or to violate the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

4.8 ERISA. No employee pension benefit plan or other plan (within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) which is or was sponsored at any time since June 30, 1974, by Borrower or any member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of 1954, as amended (the "Code"), or any member of a group of commonly controlled trades or businesses (whether or not incorporated) within the meaning of Section 414(c) of the Code of which Borrower is a member ("Plan"): (i) has incurred an "accumulated funding deficiency" (within the meaning of Section 302(a)(2) of ERISA and Section 412(a) of the Code), whether or not waived, (ii) has been a plan with respect to which a "reportable event" (within the meaning of Section 4043(b) of ERISA) has occurred, or (iii) has engaged in any transaction which violates Section 406 or Section 407 of ERISA or which could result in a liability of Borrower (which liability could materially affect the financial condition of Borrower) under Section 409 of ERISA or Section 4975 of the Code or pursuant to any agreement or statute with respect to liabilities incurred by any person under such sections. No material liability to the Pension Benefit Guaranty Corporation ("PBGC"), to a Plan, or to any participant in or beneficiary of a Plan has been or, to the present knowledge of Borrower, is expected to be incurred with respect to any Plan by Borrower and there has been no event or condition which presents a risk of termination of any Plan by PBGC. None of the following events has occurred or, to the knowledge of Borrower, is expected to occur, with respect to any multi-employer plan (as that term is defined in Section 3(37) of ERISA) to which Borrower or any member of a controlled group of corporations or any member of a group of commonly controlled trades or businesses of which Borrower is a member, contributes on behalf of its employees (the "Contributing Employers") which has resulted or could result in any material liability of the Borrower to PBGC, to such multi-employer plan, or to any participant in or beneficiary of such multi-employer plan: (i) a withdrawal, either complete or partial, from any such plan (within the meaning of Section 4203 or Section 4205, respectively, of ERISA) by a Contributing Employer; (ii) the termination of any such plan; or (iii) the recording of a

reorganization index (as defined by Section 4241 of ERISA) in excess of zero by any such plan.

4.9 Permits and Authorizations. Borrower possesses all franchises, registrations, licenses and permits and possesses or has the right to use all patents, trademarks, service marks, trade names, copyrights, and other rights that are necessary to carry on its business. No consent, authorization or approval of or filing with any governmental authority is required for Borrower to enter into, and observe and perform its obligations under, this Agreement and the Loan Documents to which Borrower is a party which has not been obtained or performed by Borrower which has not already been obtained (except as contemplated by paragraph 4.12). All the foregoing are in full force and effect and not being violated by Borrower, and no default or Event of Default exists thereunder.

4.10 Disclosure; Financial Statements. Neither this Agreement, any Loan Document to which Borrower is a party, the Financial Statements nor any other document, certificate or statement furnished to Lender or Agent by or on behalf of Borrower in connection herewith (including the information furnished to Agent in Borrower's application for the Loan) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. The Financial Statements fairly represent Borrower's financial condition as of the date thereof and fairly summarize Borrower's operations for the periods covered thereby.

4.11 No Adverse Change; Liabilities. There has been no material adverse change in the financial condition of Borrower from the financial condition disclosed in the Financial Statements. Borrower has no material liabilities except as disclosed in the Financial Statements or in Exhibit H.

4.12 Security Interest. Upon the filing in the offices set forth in Exhibit C of Uniform Commercial Code financing statements in the form provided to Borrower, the recording of any mortgage which is a Loan Document, and the consummation of the transactions contemplated herein, all requirements for the creation and perfection of a valid security interest in the Collateral for the benefit of Lender, subject only to Prior Liens and other Permitted Encumbrances, will have been satisfied.

4.13 No Change of Name. Borrower has never changed its name.

5. Affirmative Covenants.

Each Borrower covenants that, so long as any portion of the Loan shall be outstanding or any amount shall be payable by

Borrower hereunder or under any Loan Document except as Lender may otherwise consent or agree in writing, unless greater requirements shall be provided for in any Loan Document:

5.1 Payment of Principal and Interest. Borrower will pay when due all amounts of principal of and interest on the Loan and all other amounts payable by Borrower hereunder or under any Loan Document.

5.2 Payment of Taxes and Claims. Borrower will pay when due all taxes, assessments, governmental charges or levies imposed upon it or its income or profits or any property belonging to it, and also pay all claims for services, labor, materials and supplies, in each of such cases which, if unpaid, might become a Lien upon any of its properties or assets; but Borrower shall not be required to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings, no proceedings in foreclosure or for the sale of any property of Borrower on account of any such tax, assessment, charge, levy or claim shall have been commenced (or such proceedings shall have been stayed pending the disposition of such contest of validity), Borrower shall have set aside on its books adequate reserves with respect thereto and such tax, assessment, charge, levy or claim shall not have caused a material, adverse effect upon Borrower's financial condition.

5.3 Existence and Franchises. Borrower will maintain in full force and effect its existence and good standing as a corporation under the laws of its state of incorporation, and shall maintain in full force and effect all rights, franchises, permits, licenses and privileges necessary to the proper conduct of its business.

5.4 Compliance with Laws. Borrower will comply with the requirements of all applicable laws and all rules, regulations and orders of governmental or quasi-governmental agencies and authorities having jurisdiction over it or its business.

5.5 Maintenance; Hazardous Materials. Borrower will maintain, preserve, protect and keep in good order and condition the real and personal property used in the conduct of its business. Borrower will not release, or permit any release or threat of release, of any hazardous materials or oil (all as defined in Chapter 21E of the Massachusetts General Laws) on or at the real property or from equipment used in the conduct of its business.

5.6 Insurance. Borrower will carry adequate insurance (including all-risk insurance and general liability insurance) issued by responsible insurers in amounts sufficient to comply

with any applicable co-insurance provisions and against all such hazards and otherwise in such amounts as are usually carried by companies engaged in the same or a similar business similarly situated. Borrower shall bear the full risk of loss from any loss of any nature whatsoever in respect to Collateral. Over and above its obligations under any Loan Document, and at Borrower's own cost and expense, Borrower (i) shall keep its real property Collateral, Inventory Collateral and Equipment Collateral insured with carriers and in amounts acceptable to Lender against all risks customarily insured against by the owners of similar property and such other perils as may be reasonably required by Lender; and (ii) shall maintain comprehensive general liability insurance, including product liability insurance when reasonably required by Lender, with carriers and in amounts acceptable to Lender. Borrower shall cause to be delivered to Lender the insurance policies therefor or proper certificates evidencing the same. Such policies shall provide, in form and substance satisfactory to Lender, that (i) any losses under such risk insurance shall be payable to Lender as its interest may appear; (ii) Lender shall be an insured under such liability insurance; and (iii) such policies shall not be cancelled except after twenty (20) days' written notice to Lender. If any insurance loss is paid by check, draft or other instrument payable to Borrower alone or to Borrower and Lender jointly, Lender may endorse Borrower's name thereon and do such other things as Lender may deem advisable to reduce the same to cash. All loss recoveries received by Lender under any such insurance may be applied to the Loan and the Obligations whether or not due, in such order as Lender in its sole discretion may determine. Any surplus shall be paid by Lender to Borrower or applied as may be otherwise required by law. Borrower shall pay when due all premiums and other charges required to keep such insurance in force. If Borrower shall fail to obtain insurance as hereinabove provided, or to keep the same in force, Lender may obtain such insurance and pay the premium therefor, or make whatever other payments Lender may deem appropriate to protect its security hereunder, and, in each case, such charges shall become part of and added to the principal amount of the Loan, shall be payable on demand, and shall bear interest at the rate of 18% per annum from the date incurred until paid.

5.7 Accounts. Borrower will keep proper books of record and account in which full, true and correct entries will be made of all its dealings, business and affairs in accordance with generally accepted accounting principles. Borrower will provide to Lender:

- (i) within 15 days after the end of each of the first two months of each fiscal quarter of Rail Co., Rail Co. shall provide to agent a report concerning the status and financial aspect of all rehabilitation contracts. Within 45 days after the end of each of

the first three quarterly accounting periods of each fiscal year of Rail Co. and Track Co., a statement of income and expense for each for such period and for the expired portion of the fiscal year ending with the end of such period, and the balance sheet of each as at the end of such period, in reasonable detail, subject to normal, audited year-end adjustments, and certified by the treasurer or the chief financial officer of Borrower to have been prepared upon full and accurate information and consistent with all other financial information prepared by Borrower. Rail Co. shall maintain separate and accurate accounts for the Receivables from the portion of the line operated by Rail Co. in the State of Connecticut as described in Section 3(a)(ii), found on page 4 of the Intercreditor Agreement between the Lender and the New Bank of New England, attached hereto as Exhibit L as well as for the Receivables for the portion of the line operated by Rail Co. in the Commonwealth of Massachusetts also as described on said Exhibit L. A report concerning the status of said receivables shall be sent monthly to Agent. Rail Co., by this agreement warrants that said receivables and the proceeds thereof shall be separately maintained and shall not be comingled;

- (ii) within ninety days after the end of each fiscal year of each Borrower, the statements of income and expense of Borrower for such year and the balance sheet of Borrower as at the end of such fiscal year, setting forth in each case in comparative form the corresponding figures as at the end of the previous fiscal year, all in reasonable detail, and in the case of Track Co. and Rail Co. certified by independent certified public accountants, selected by Borrower and approved by Lender (which approval shall not be unreasonably withheld), to have been prepared in accordance with generally accepted accounting principles consistently applied by Borrower;
- (iii) a statement accompanying each balance sheet referred to in paragraphs (i) and (ii) above, certified by the treasurer or the chief financial officer of Borrower, that, as of the date of such balance sheet, there exists no default or Event of Default under this Agreement, any Loan Document or any other agreement pursuant to which Borrower has incurred or will incur any Indebtedness; and

- (iv) all such other information in respect to the financial condition of Borrower as Lender may reasonably request from time to time, including any information in the possession of Borrower's accountants.

5.8 Other Indebtedness. Borrower shall comply with the terms and conditions of all documents, instruments and obligations creating, evidencing or securing all or any portion of any Indebtedness of Borrower to third parties. If any such Indebtedness of Borrower shall be declared to be or become due and payable before its expressed maturity by reason of default, or if the holder of any such Indebtedness shall have the right (or upon the giving of notice or the passage of time, shall have the right) to declare such Indebtedness to be so due and payable by reason of default, Borrower will give Lender prompt written notice of such declaration, acceleration, right of declaration, or default.

5.9 Inspection. Lender, its agents, and such persons as it may designate (including their respective employees and independent accountants) may visit or inspect Borrower's property, examine its books of account and discuss its affairs, finances and accounts with its officers and its independent accountants, all at such reasonable times and as often as Lender may desire. Without limiting the foregoing, at all reasonable times, Lender and its agents shall have full access to, and the right to audit, check, inspect and make abstracts and copies from, Borrower's books, records, audits, correspondence and all other papers relating to the Receivables and the other Collateral.

5.10 Use of Proceeds. Borrower will use the proceeds of the Loan solely to carry out the Project.

5.11 Payment of Expenses. Borrower will pay on demand all expenses whether heretofore or hereafter incurred by Lender and Agent in connection with: (i) the preparation of Lender's commitment letter to Borrower; (ii) the preparation, execution and delivery of this Agreement, the Loan Documents, and any amendment or other modification hereto or thereto, actual or proposed; (iii) the consummation of the transactions contemplated hereby or by any such amendment or other modification; (iv) the interpretation of any of the foregoing documents; and (v) collection and enforcement of the Obligations, including but not limited to reasonable attorneys' fees and the full costs of representing the Lender for all purposes in any proceeding in which the Borrower is a party under the United States Bankruptcy Code or under any insolvency, receivership, or similar proceeding; including in each case the Agent's origination fee and the reasonable fees and disbursements of Lender's counsel, Hill & Barlow, whether or not the transactions herein or therein

contemplated are consummated. Borrower will pay Lender and hold Lender harmless from and against any and all finders' and brokerage fees and commissions payable in connection with the Loan.

5.12 Further Assurances. Borrower will execute and deliver all such instruments and take such other action as Lender may reasonably request to effectuate the purposes of this Agreement and the Loan Documents and to secure the rights and remedies conferred upon Lender by this Agreement or any Loan Document. Without limiting the foregoing, Borrower, from time to time, will do whatever Lender may request by way of obtaining, executing, delivering and filing financing statements, landlord's or mortgagee's waivers, and other notices and amendments and renewals thereof, and Borrower will take all steps and observe such formalities as Lender may request, in each case to create, confirm, maintain and protect a valid first Lien or, in the case of an item of Collateral as to which there is a Prior Lien or other Permitted Encumbrance superior in priority to Lender's Lien, a valid subordinate Lien upon the Collateral. Borrower will pay all costs in connection therewith, including, without limitation, the costs of filing any instruments in any public office whenever such filing is deemed by Lender to be necessary or desirable.

5.13 ERISA. Borrower will promptly notify Lender if at any time (i) a Plan incurs an "accumulated funding deficiency" (as defined in Sections 412(a) of the Code), whether or not waived; (ii) a "reportable event" (within the meaning of Section 043(b) of ERISA) occurs with respect to a Plan; (iii) Borrower engages in any transaction which violates Section 406 or Section 407 of ERISA or which could result in a liability under Section 409, 501, or 502 or ERISA or Section 4975 of the Code or pursuant to any agreement or statute with respect to liabilities incurred by any person under such sections, which liability could materially affect the financial condition of Borrower; (iv) Borrower incurs a material liability to the PBGC or to any participant in or beneficiary of a Plan with respect to any Plan; (v) an event occurs or a condition arises which presents a risk of termination of any Plan by the PBGC; (vi) Borrower is notified by the Internal Revenue Service or the Department of Labor that the Plan is not or may not be qualified under Section 401(a) of the Code or that the trust established thereunder is not or may not be exempt from tax under Section 501(a) of the Code; (vii) any of the following events occurs with respect to any multi-employer plan (as defined in Section 3(37) of ERISA) to which Borrower or any member of a group of commonly controlled trades or businesses within the meaning of Section 414(c) of the Code of which Borrower is a member or contributes on behalf of its employees: (A) a withdrawal, either complete or partial, from any such plan (within the meaning of Section 4203 or Section 4205,

respectively, of ERISA) by a Contributing Employer or a decision by a Contributing Employer to withdraw completely or partially from such a plan; (B) the termination of any such plan; or (C) the recording of a reorganization index (as defined by Section 4241 of ERISA) in excess of zero by any such plan.

5.14 Litigation. If Borrower shall become a party to any proceeding in any court or before any other judicial or quasi-judicial body (including any proceeding before an arbitrator or any alternative dispute resolution proceeding) and the amount at issue in such proceeding shall be \$5,000 or more, Borrower shall promptly notify Lender of such proceeding, and advise Lender of the progress thereof on such reasonable basis as Lender may request.

5.15 Preservation and Collection of Collateral. Borrower will safeguard and protect the Collateral for Lender's account, and will make no disposition thereof except in the ordinary course of business and except that Rail Co. may dispose of such Equipment as it deems appropriate from time to time without the consent of Lender so long as the value of any Equipment disposed of and not replaced by Equipment of similar character shall not exceed in value 10% of the total value of all equipment of Rail Co. in any year. Upon request of Rail Co. Lender shall promptly release its security interest and furnish a termination statement with respect to any equipment disposed of in accordance with the terms of this paragraph. Leasing Co. agrees that it shall not dispose of the Locomotive without Thrift Fund's consent. Borrower, immediately upon learning thereof, will report all matters materially affecting the value of any of the Collateral. Except as provided in paragraph 9.4, Borrower, at Borrower's sole cost and expense, will collect all amounts unpaid on Receivables.

5.16 Records. Borrower shall give Lender written notice of each office at which Borrower keeps its records pertaining to the Collateral. Until and except as such notice is given, all such records shall be kept at Borrower's address as it appears in Exhibit J. Borrower shall maintain books and records pertaining to the Collateral in such detail, form and scope as Lender shall reasonably require. Without limiting the foregoing, Borrower, upon Lender's request, will mark Borrower's ledger cards, books of account and other records relating to the Collateral, with appropriate notations satisfactory to Lender, disclosing that Borrower has granted to Lender a security interest to the Collateral or containing such other designation as Lender may require.

5.17 Right to Negotiate. Lender shall have the right, and Borrower hereby constitutes Lender or its designee as Borrower's attorney with power, (A) to receive, endorse, assign and deliver in the name of Lender or Borrower all checks, drafts

and other instruments for the payment of money relating to the Receivables or other Collateral, and Borrower hereby waives notice of presentment, protest and nonpayment of any instrument so endorsed; to endorse Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment of Collateral that may come into Lender's possession; to sign Borrower's name on any invoices or bills of lading relating to Receivables, drafts against Customers, assignments and verifications of Receivables and notices to Customers; and to send verifications of Receivables to any Customer; provided, however, that Lender agrees not to exercise any of the foregoing rights and powers unless and until an Event of Default shall have occurred; and (B) to sign Borrower's name on all financing statements or any other documents or instruments deemed necessary or appropriate by Lender to preserve, protect or perfect Lender's security interest in the Collateral and to file same; and to do any and all other acts and things necessary to carry out this Agreement. All acts of Lender or its designee as said attorney are hereby ratified and approved, and said attorney shall not be liable for any acts of omission or commission, nor for any error of judgment or mistake of fact or law, unless done maliciously. The power granted herein is coupled with an interest and is irrevocable so long as the Loan remains unpaid.

5.18 Publicity. Borrower shall (i) if the Loan is used for the acquisition or improvement (including without limitation new construction, renovation, and rehabilitation) of real estate, provide at the site of the real estate, from the commencement of construction work until substantial occupancy, a sign satisfactory to Lender and in accordance with applicable law (which law it shall be the Borrower's responsibility to ascertain) identifying Lender as a lender with respect to the real estate; (ii) for the term of the Loan, make appropriate reference to Lender as a lender in all publicity relating to the Project and provide for reasonable participation by Lender in public relations activities relating to the Project, including, without limitation, press releases, ribbon cutting and ground breaking ceremonies and photo sessions, provided, that this requirement will not apply to customary product or service promotion or to publicity relating to personnel matters; and (iii) for the term of the Loan cooperate with reasonable requests by Lender for Borrower's reasonable participation in publicity relating to the Project initiated by Lender.

5.19 Notification of Default. Borrower will give Lender prompt written notice of any Event of Default.

5.20 Indemnity and Liability. Borrower shall indemnify and hold Lender and Agent harmless against all liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees, which Lender or Agent may at any time sustain or incur in connection with or arising out of this Agreement or the

Loan, other than liabilities, losses, damages, costs and expenses resulting from the intentional misconduct of Lender or Agent. Borrower agrees that neither Lender nor Agent shall be liable to Borrower for any liabilities, losses, damages, costs, or expenses of any kind which Borrower may at any time sustain or incur in connection with or arising out of this Agreement or the Loan.

6. Negative Covenants.

Rail Co. and Track Co. each covenants that, so long as any portion of the Loan shall be outstanding or any amount shall be payable by Borrower hereunder or under any Loan Document, except as Lender may otherwise consent or agree in writing (and for purposes of this Section 6, "Borrower" shall be understood to refer only to each of Rail Co. and Track Co.):

6.1 Acquisition; Disposition. Borrower shall not acquire any real or personal property, or any interest therein, other than in the ordinary course of its business; nor shall Borrower sell, transfer or otherwise dispose of all or a substantial part of its assets, whether in one or more transactions, except pursuant to transactions in the ordinary course of its business; nor shall Borrower lease (as lessor) any of its assets except in the ordinary course of its business.

6.2 Borrowing. Except as described in Exhibit H, Borrower will not incur or allow to exist any Indebtedness other than accounts payable incurred in the ordinary course of business and such other Indebtedness as may be secured by Prior Liens and Permitted Encumbrances.

6.3 Liens. Borrower will not permit any Lien to encumber any of its properties, assets, operations, products, income or securities or the proceeds therefrom, whether now owned or hereafter acquired or produced, except for (i) Prior Liens; (ii) Liens for taxes, assessments or similar governmental charges not yet due and payable or still able to be paid without interest or penalty; (iii) mechanics', materialmen's, carriers', warehousemen's, landlords' or other similar Liens in the ordinary course of business for sums not yet due or being contested in good faith by appropriate proceedings or other appropriate actions; (iv) deposits or pledges to secure the performance of bids, tenders, contracts (other than for borrowed money), leases (other than capital leases), statutory obligations, surety or appeal bonds or other deposits or pledges for purposes of a like general nature made or given in the ordinary course of business; (v) other Liens or encumbrances incidental to the conduct of the business of Borrower or to the ownership of its properties or assets, which were not incurred in connection with the borrowing of money or the obtaining of credit and which do not materially detract from the value of the Collateral or materially affect the use thereof in the operation of Borrower's business; and (vi) other Permitted Encumbrances.

6.4 Investments, Advances. Borrower will not make or have outstanding any loan or advance to any individual or entity or own any security of any character (including shares of stock and obligations of any nature), except for the loans or advances described in Exhibit H.

6.5 Certain Transactions. Borrower shall diligently prosecute the collection of all outstanding loans, if any, to officers, directors or shareholders. Borrower will not make any payment of principal or interest with respect to any loan from an officer, director or shareholder, but this sentence shall not apply to a loan from Peter Lynch to Rail Co. in the principal amount as of the date of this Agreement of \$40,000. Borrower will not declare or pay any dividend, nor will it redeem any stock or other security. Borrower will not issue any preferred stock or rights to acquire preferred stock.

6.6 Reorganization. Borrower will not (i) consolidate with, or merge into or with, any other corporation other than a Borrower; or (ii) effect a corporate reorganization of any nature.

6.7 Name. Borrower will not change its name without prior written notification to Lender.

6.8 Places of Business. Borrower will not open or operate, nor except in the ordinary course of business cause or permit any Collateral to be located at, any place of business other than within the State of Connecticut or Commonwealth of Massachusetts, provided that if an office is opened in Massachusetts, Borrower shall promptly notify Lender and cooperate with Lender in making an appropriate UCC filing in that city or town.

6.9 Moving Out of State. Borrower shall not, by means of transferring operations outside of the Commonwealth of Massachusetts, materially reduce the size of its work force in Massachusetts.

7. Conditions to Closing. Lender shall not be obligated to make the Loan on the Closing Date unless, on or before the Closing Date, all actions required by Lender's commitment letter concerning the Loan shall have been taken, Borrower's representations and warranties to Lender shall continue to be true, complete and correct, there shall exist no Event of Default, Borrower shall have taken all actions required to be taken by it under this Agreement and any Loan Document, and Lender shall have received, in form and substance satisfactory to Lender:

7.1 Executed Instruments. This Agreement, the Loan Documents and any financing statements and other instruments and

documents required by Lender, all duly authorized, executed and delivered by the appropriate parties thereto; and, in the case of instruments or documents to be filed or recorded, in appropriate form for such filing or recording, and such instruments or documents shall have been filed or recorded in the appropriate locations.

7.2 Opinion of Counsel. An opinion of Borrower's counsel, substantially in the form of Exhibit K, dated as of the Closing Date; and such other opinions as may be reasonably requested by Lender.

7.3 Additional Representations, Warranties, Covenants and Conditions. The additional representations, warranties and covenants of Borrower and the additional conditions to closing, set forth in Exhibit I, together with such further representations, warranties, covenants and conditions as Lender shall request.

7.4 Borrower's Certificate. A certificate of Borrower to the effect that, as of the Closing Date, (i) Borrower's representations and warranties set forth in this Agreement are true, correct and complete as if newly made on the Closing Date; and (ii) all Obligations of the Borrower required to be performed under this Agreement on or before the Closing Date have been performed.

7.5 Other Matters. Such other certificates, opinions and assurances, including policies of mortgage title insurance and other insurance satisfactory to Lender, as Lender may require.

8. Events of Default.

Any of the following events shall be an Event of Default:

- (i) the default by Borrower in the payment of any principal of or interest on the Loan when the same shall be or have become due and payable;
- (ii) any other failure by Borrower to perform any of its Obligations, which is not promptly cured by Borrower after notice from Lender, or the material breach of any representation or warranty contained herein;
- (iii) the failure by any Guarantor to pay when due any sum required to be paid by the terms of this Agreement or any Loan Document to which Borrower or Guarantor is a party;
- (iv) the making to Lender by any officer of Borrower, or by any person designated or authorized by Borrower

to make reports regarding Borrower or the Collateral, or by any Guarantor, of any material misstatement or misrepresentation, orally or in writing, for the purpose of Borrower's obtaining credit or an extension of credit from Lender, or in any certificate delivered to Lender pursuant hereto or to any Loan Document;

- (v) the breach of any material representation or warranty contained in any Loan Document to which Borrower or any Guarantor is a party or contained in any other agreement or arrangement now or hereafter entered into between Lender and Borrower or any Guarantor;
- (vi) the occurrence of any other default or event of default under any Loan Document to which Borrower or any Guarantor is a party, including the failure to observe or perform any condition or agreement contained in any such Loan Document, which default continues beyond the period of grace, if any, specified therein;
- (vii) the filing of any petition for relief by or against the Borrower or any Guarantor under the United States Bankruptcy Code as now or hereafter in force (the "Code"), or under any other federal or state law relating to bankruptcy, insolvency or the reorganization or relief of debtors;
- (viii) entry of any judicial or administrative order, or passage of any effective resolution, for the winding-up, liquidation, dissolution, merger, consolidation or reorganization of the Borrower or any Guarantor or the sale, lease, exchange or disposition of all or substantially all of the Borrower's or Guarantor's assets;
- (ix) the admission in writing by the Borrower or any Guarantor of its inability to pay its debts generally as they become due, or the failure of the Borrower or any Guarantor to pay its debts generally as they become due;
- (x) the making of an assignment or trust mortgage by the Borrower or any Guarantor for the benefit of creditors;
- (xi) consent of the Borrower or any Guarantor to the appointment of a receiver or custodian (or other person performing a similar function) for it or for all or a substantial part of its property;

- (xii) the occurrence of an event of default under the terms of any other Indebtedness of the Borrower or any Guarantor, or any other failure of the Borrower or any Guarantor to pay money when due, which default or failure continues beyond the applicable period of grace, if any;
- (xiii) any circumstance or condition (financial or otherwise) that causes Lender reasonably to believe in good faith that the prospect of payment or performance by Borrower or any Guarantor under this Agreement or any Loan Document is materially impaired;
- (xiv) the issuance of an injunction or attachment or execution or similar process against Borrower or any Guarantor or a material portion of Borrower's or any Guarantor's property, which is not removed, released, bonded or stayed within 60 days; or
- (xv) the entry of a judgment, in excess of twenty five thousand dollars (\$25,000) against Borrower or any Guarantor.

9. Lender's Rights and Remedies.

9.1 Acceleration; Sale. Upon the occurrence of any Event of Default and at any time thereafter, the Loan shall become immediately due and payable in its entirety at the option of Lender without notice to Borrower; and any outstanding commitment of Lender to loan funds to Borrower shall be terminated without notice to Borrower; and, in addition to any remedies provided by this Agreement or any Loan Document, Lender shall have the rights and remedies provided for under the Uniform Commercial Code as enacted and in effect in the Commonwealth of Massachusetts and at law or in equity generally, the right to demand payment in full of the Loan, if not previously demanded pursuant to the terms hereof and of the Note, and to demand payment and performance, in full, of all other Obligations, and the right to foreclose the security interest granted herein by any lawful means and to take possession of and sell any or all of the Collateral, from time to time and in any order of priority as Lender shall determine, with or without judicial process, subject to the rights of holders of Prior Liens. Except as otherwise provided in any Loan Document, Lender may sell the Collateral, or any part thereof, subject to the rights of holders of Prior Liens, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Lender may elect, and, except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender shall give

Borrower notification of such sale or sales, it being agreed that in all events written notice mailed to Borrower at least seven (7) days prior to such sale or sales is reasonable notification. At any public sale Lender may bid for and become the purchaser, and the purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, except for any equity of redemption.

9.2 Protection of Collateral. Lender may at any time take such steps as it deems necessary to protect its interest in and to preserve the Collateral, and Borrower will take such actions to protect Lender's interest in and to preserve the Collateral as Lender may direct. Lender's expenses of protecting its interest in and of preserving the Collateral shall be added to the principal amount of the Loan, shall be payable on demand, and shall bear interest at the same rates as the original principal of the Loan.

9.3 Lender's Expenses. Lender's and Agent's costs and expenses described in paragraph 5.11 shall be added to the principal amount of the Loan and shall bear interest at the same rates as the original principal of the Loan.

9.4 Collection of Receivables. After the occurrence of an Event of Default, Lender, without notice or consent from Rail Co. or Track Co., is authorized and empowered to notify Customers or interested parties of the assignment of and Lender's security interest in the Receivables, to sue upon or otherwise collect, extend the time of payment of, or compromise or settle for cash, credit or otherwise upon any terms, any Receivable or any security, instrument or insurance applicable thereto or any other Collateral, to release the obligor thereon and to accept the return of the goods represented by any Receivable, without notice to or consent by Borrower, all without discharging or in any way affecting Borrower's liability hereunder.

9.5 Election. Lender shall have the right, in its sole discretion, to determine which rights, security, liens, security interests or remedies it may at any time pursue, relinquish, subordinate, modify or take any other action with respect to and such determination will not in any way modify or affect any of them or any of Lender's rights hereunder. Lender shall not be required to exhaust any particular right or remedy prior to the exercise of any other right or remedy.

9.6 Set Off. In addition to any other rights which Lender may have under applicable law, and notwithstanding the value or availability of Collateral or other security for the Obligations, Borrower hereby agrees that, if an Event of Default shall occur, Lender shall have a right to apply any deposits or other sums at any time credited by or due from Lender to Borrower and any of Borrower's property held by Lender to reduce the Obligations.

9.7 Remedies Cumulative. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not preclude the exercise of any other right or remedy, either hereunder or under any Loan Document, all of which shall be cumulative and not alternative.

9.8 No Waiver. No payment made by Lender on behalf of Borrower, and added to the principal amount of the Loan pursuant to any provision of this Agreement, shall constitute a waiver of Borrower's default in failing to make such payment when due or a waiver of any of the rights and remedies of Lender arising by reason of such default. No loan or extension of credit by Lender to Borrower, or acceptance by Lender of any payment by Borrower, after the occurrence of any Event of Default shall constitute a waiver of such Event of Default or any other Event of Default, or of any of the rights and remedies of Lender arising by reason thereof.

10. Waiver. Borrower hereby waives notice of nonpayment, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein. No delay or omission on Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any default.

11. Servicing. Until notice to the contrary shall be given by Lender to Borrower, Agent shall act as the servicing agent of Lender for all purposes under this Agreement and the Loan Documents, including acting for the purpose of receiving all payments due and giving and receiving notices and other communications to be made hereunder and under the Loan Documents, and for the purpose of enforcing the rights and remedies of Lender hereunder and under the Loan Documents; provided, that Agent shall have no authority to waive or amend the terms of this Agreement or of any Loan Document.

12. Notices. Any notice hereunder must be in writing and must be served by hand, by recognized commercial courier, or by registered or certified mail, postage prepaid, addressed to the person to be served at the address shown in Exhibit J or to any such address to which the person to be served has given notice to send such notices.

13. Miscellaneous Provisions.

13.1 Successors. This Agreement shall inure to the benefit of and shall be binding upon the respective successors

and assigns of Borrower and Lender (subject in the case of Borrower to the following sentence). Neither this Agreement nor the Note nor the Loan may be assigned by Borrower without the prior consent of the Lender. No assignment by Lender will be effective against Borrower until Borrower has received notice thereof.

13.2 Termination. This Agreement shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations incurred have been fully disposed of, concluded or liquidated. The security interest, Lien and rights granted to Lender hereunder shall continue in full force and effect until all Obligations have been satisfied.

13.3 Maximum Interest. No provision of this Agreement or the Note or any other Loan Document shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any such excess interest is provided for herein or in the Note or any other Loan Document, Borrower shall not be obligated to pay such excess, and the right to demand the payment of any such excess is hereby waived.

13.4 Survival. All representations and warranties contained herein, and the covenants contained in paragraph 5.20, shall survive the termination hereof.

13.5 Governing Law. This Agreement shall be governed, construed and interpreted in all respects in accordance with the laws of The Commonwealth of Massachusetts.

13.6 No Amendment. This Agreement and the Loan Documents contain the entire understanding between Borrower and Lender. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged.

13.7 Savings Clause. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

13.8 Headings. The headings in this Agreement are for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

IN WITNESS WHEREOF, Lender and Borrower have caused this Agreement to be executed under seal by a duly authorized officer as of the date first written above.

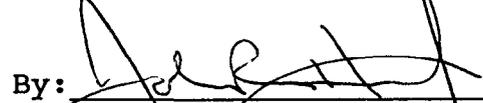
HOUSATONIC RAILROAD CO., INC.

By: 
Name: John R. Hanlon, Jr.
Title: President

HOUSATONIC TRACK COMPANY, INC.

By: 
Name: John R. Hanlon, Jr.
Title: President

CONNECTICUT RAILROAD LEASING
COMPANY

By: 
Name: John R. Hanlon, Jr.
Title: President

THRIFT INSTITUTIONS FUND
FOR ECONOMIC DEVELOPMENT

By: 
Name: Paul Rupp
Title: Executive Director

EXHIBIT A-1

Description of Premises

The line of railroad situated in the Commonwealth of Massachusetts and County of Berkshire and known as the "Canaan Secondary Branch", identified as Line Code 4220 in the records of the United States Railway Association and being the property conveyed by that description by the Trustees of the Property of the Penn Central Transportation Company, Debtor to Consolidated Rail Corporation under order of the Special Court created by the Regional Rail Reorganization Act of 1973 by deed dated March 30, 1976 and recorded in Berkshire Registry of Deeds, Southern District at volume 453, page 270 and at Berkshire Registry of Deeds, Middle District at volume 1010, page 1026 and more particularly described as follows:

Beginning at the border of the State of Connecticut and the Commonwealth of Massachusetts, in Sheffield, Massachusetts at mile post 49.9, thence running in a generally northerly direction through said Sheffield, Great Barrington, Stockbridge, Lee and Lenox, Massachusetts, terminating at mile post 85.94 located on the east side of Mill Street in Pittsfield, Massachusetts, all as may be more particularly shown on plans for valuation section 57.68.10, map 74, valuation section 57.10, maps 75 through 88 inclusive, valuation section 57.10.12, map 89 and valuation section 57.12, maps 90 through 110, inclusive.

Excluding from the above described premises:

1. Those parcels set forth on Exhibit B to a certain deed from the Trustees of Penn Central Transportation Company to Consolidated Rail Corporation, dated 3/30/76, recorded in the Berkshire Registry of Deeds, Southern District in volume 453, page 270 and recorded in the Berkshire Registry of Deeds, Middle District in volume 1010, page 1026.
2. Such interests set forth in a certain Deed to Alan Lipton dated 11/18/81, recorded 11/30/81 in Berkshire Registry of Deeds, Middle District at volume 1052, page 978.
3. Such interests as were conveyed in a certain Deed to The Clock Tower Associates, Inc. dated 2/16/88, recorded 1/17/90 in Berkshire Registry of Deeds, Middle District at volume 1291, page 1066.
4. Such parcel of land as was conveyed in a certain Deed to Berkshire Scenic Railway Museum, Inc., dated 7/11/90, recorded 8/17/90 in Berkshire Registry of Deeds, Middle District at volume 1308, page 1070.

EXHIBIT A-2

[See 1.5]

Specific Equipment

Not applicable

EXHIBIT B

[See 1.7, 4.2, 4.3, 4.5, 6.8]

Information Relating to Borrower

1. Financial Statements. The financial statements provided by Borrower include balance sheets as of 12/31/88 and 12/31/89, statements of earnings for the fiscal years ending 12/31/88 and 12/31/89 and statements of changes in financial position for such fiscal years, all prepared according to generally accepted accounting principles and certified by independent certified public accountants satisfactory to Lender.
2. Tax Years Closed. Borrower has closed its income tax years as follows: (i) United States of America - through 12/31/90; and (ii) The Commonwealth of Massachusetts - through N/A.
3. Places of Business. Borrower's only places of business are:

Rail Co.: Canaan Union Station
 Canaan, CT 06018

 Route 7
 Canaan, CT 06018

 Mail: P.O. Box 1146
 Canaan, CT 06018

Leasing Co.: Route 7
 Canaan, CT 06018

 Mail: P.O. Box 1146
 Canaan, CT 06018

Track Co.: P.O. Box 272
 Ashley Falls, MA 01222
4. Counsel. Borrower's counsel is Attorney Edward J. Rodriguez.
5. Accountants: Borrower's independent certified public accountants are Edward R. Szwyd, M.B.A., C.P.A., 21 Mechanic Street, Great Barrington, Massachusetts 01230.

6. Stockholders. The stockholders who own more than 5%, directly or indirectly, of the common stock of Borrower are: John R. Hanlon, Jr. to be transferred to Housatonic Transportation Company.

7. Litigation. Borrower is the subject of the following legal actions, proceedings, or governmental investigations: Bennett vs Housatonic Railroad Company, Inc., Case No. H90 650AHN, United States District Court, District of Connecticut - F.E.L.A. suit. Exposure, if any, covered by insurance subject to policy limits and deductibles. Notice of possible F.E.L.A. claim received on behalf of Louis Romero and Gary Mazzantini.

EXHIBIT C

[See 1.1, 1.10, 1.14, 1.16, 1.19, 2.1, 2.2, 2.4, 4.12]

Information Relating to the Loan

1. Principal: The original principal amount of the Loan is \$300,000.
2. Disbursement of Principal. Subject to Loan conditions, the Loan principal will be disbursed on the Closing Date.
3. Maturity Date. The maturity date of the Loan is that date which is 4 years from the Closing Date.
4. Interest Rate. The rate at which interest on the Loan shall accrue is 12.5%, which shall be increased to 18% per annum upon the occurrence of an Event of Default for so long as any Event of Default is continuing.
5. Installment Payments and Final Payment: There shall be 48 Installment Payments and a Final Payment. The first Installment Payment shall be a payment of interest only for the period from the Closing Date through the end of the calendar month in which the Closing Date occurs. Each of the remaining Installment Payments shall comprise interest and principal and each shall be in the amount of \$3,697.57. The amount of the Final Payment shall (subject to adjustment for costs, penalties and other charges under the terms of the Loan Agreement) equal the remaining principal balance and all accrued interest.
6. Payment Dates. The dates on which payments of principal and interest are due and payable are as follows:

Installment Payments: Monthly beginning on the first day of the first full calendar month immediately following the Closing Date and continuing on the first day of each month thereafter.

Final Payment: On the Maturity Date.
7. Required Filings:
 - (a) The office of the Secretary of State of The Commonwealth of Massachusetts (Rail Co. and Track Co.).

- (b) The offices of the Middle and Southern Districts of the Registry of Deeds of Berkshire County, Massachusetts (Mortgage).
 - (c) The office of the Secretary of State of the State of Connecticut (all Borrowers).
 - (d) Interstate Commerce Commission (all Borrowers).
8. Agent. Until further notice from Lender to Borrower, the Agent for the Loan shall be: Massachusetts Industrial Finance Agency (MIFA).

EXHIBIT D

[See 1.12]

Description of Leases

Not applicable

EXHIBIT E

[See 1.13]

Loan Documents

Promissory Note

Mortgage of Track Co. to Lender

Intercreditor Agreement between Lender and the New Bank of New
England

EXHIBIT F

[See 1.20, 1.21]

Prior Liens

A security interest on the rolling stock and other equipment of Housatonic Railroad Co., Inc., of New Bank of New England ("NBNE") securing a term loan in the original principal amount of \$200,000, a second security interest on said collateral of NBNE securing a line of credit in the face amount of \$150,000 (with additional advances up to \$250,000) and a security interest in favor of Zera Equipment, Inc. in one BK HOE/Loader Model #580SE SFR No. 17046095, owned by Rail Co.

Other Permitted Encumbrances

None

EXHIBIT G

[See 2.2]

Form of Promissory Note

PROMISSORY NOTE

\$300,000

January 14, 1991

FOR VALUE RECEIVED, Housatonic Track Company, Inc., a Massachusetts corporation, and Housatonic Railroad Co., Inc., a corporation chartered by special act of legislature in Massachusetts and Connecticut, and Connecticut Railroad Leasing Company, a Connecticut corporation (collectively Borrower), hereby jointly and severally promise to pay to the order of Thrift Institutions Fund for Economic Development (Thrift Fund), at the offices of Massachusetts Industrial Finance Agency (MIFA) at 75 Federal Street, Boston, Massachusetts 02110, the principal sum of THREE HUNDRED THOUSAND DOLLARS (\$300,000), on or before January 14, 1995, with interest on the unpaid principal balance hereof at the rate of 12.5% per annum, and, after the occurrence of an Event of Default as defined in the Loan and Security Agreement dated the date hereof between Thrift Fund and Borrower (the "Loan Agreement"), and for so long as any Event of Default is continuing, at the rate of 18% per annum. Interest shall be calculated based on a 360-day year of twelve 30-day months and paid in arrears.

Payment on this Note shall be made in lawful money of the United States in immediately available funds and as follows:

There shall be 48 Installment Payments and a Final Payment. The first Installment Payment shall be a payment of interest only for the period from the date hereof through the end of the calendar month in which the date hereof occurs. Each of the remaining Installment Payments shall comprise interest and principal and each shall be in the amount of \$3,697.57. The amount of the Final Payment shall (subject to adjustment for costs, penalties and other charges under the terms of the Loan Agreement) equal the remaining principal balance and all accrued interest.

The dates on which payments of principal and interest are due and payable are as follows:

Installment Payments: Monthly beginning on the first day of the first full calendar month immediately following the date hereof and continuing on the first day of each month thereafter.

Final Payment: At maturity.

Payments shall be applied first to accrued and unpaid interest and thereafter to principal.

This Note is issued pursuant to the Loan Agreement, the terms of which are incorporated herein by reference. The Loan Agreement provides, among other things, for security for this Note and the amounts payable hereunder. This Note is also secured by a Mortgage, dated the date hereof and encumbering real property located in Berkshire County, Massachusetts, owned by Housatonic Track Company, Inc.

Upon the occurrence of any Event of Default as provided in the Loan Agreement, this Note, at the option of the holder, shall become due and payable as provided in the Loan Agreement.

As further security for the Obligations, as defined in the Loan Agreement, without limiting the rights of the holder under applicable law, and notwithstanding the value or availability of other security for the Obligations, the holder has, and during the continuance of an Event of Default may exercise, a right of set-off, a lien and a security interest in all property of Borrower now or at any time in the holder's possession in any capacity whatsoever, including but not limited to any balance of any deposit, trust or agency account in which Borrower has a beneficial interest; and any and all deposits or other sums at any time or times credited by or due from the holder to, and all securities or other property in possession of the holder for safekeeping or otherwise and belonging to, Borrower or any indorser or guarantor of this Note are and shall be subject to a security interest in favor of the holder to secure payment of this Note and the payment and performance of any and all other Obligations, due or to become due under this Note or the Loan Agreement or any Loan Document (as defined in the Loan Agreement), or that may hereafter be contracted, of Borrower or such indorser or guarantor to the holder.

The remedies provided for in the Loan Agreement and in any instrument or agreement made pursuant thereto shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies existing, in the holder's favor, under the applicable law (including equity) of any jurisdiction.

No provision of this Note, the Loan Agreement or any Loan Document shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any such excess interest is provided for herein or in the Loan Agreement or in any Loan Document, Borrower shall not be obligated to pay such excess, and the right to demand the payment of any such excess is hereby waived.

Borrower hereby waives any requirement of law for the making or giving of any demand or of any notice, of any default, payment or partial payment or the granting of any extensions or indulgences and, in general, for any other notice or formality relating to the Loan Agreement, the Loan Documents, this Note or the transactions contemplated thereby, including, without limitation, presentment, demand, notice, protest, and all other demands or notices, in connection with the delivery, acceptance, indorsement, performance, default, or enforcement of this Note except such as are expressly provided for herein or in the Loan Agreement, and assents to any and all extensions or postponements of the time of payment or any other indulgence, to any substitution, exchange, or release of collateral, and to the addition or release of any other party or person primarily or secondarily liable, and generally waives all suretyship defenses and defenses in the nature thereof.

Borrower will pay on demand all costs and expenses, including attorneys' fees, incurred or paid by the holder in enforcing and collecting on this Note or the obligations hereby evidenced or other obligations of Borrower under the Loan Agreement or any Loan Document, to the extent permitted by law, and such costs, expenses and obligations shall be added to the principal of this Note and shall bear interest at the same rates as the original principal hereof.

No delay or omission of the holder in exercising any right or remedy upon the occurrence of any Event of Default shall constitute a waiver of or otherwise impair any such right or remedy or shall be construed to be a waiver of any such default or an acquiescence therein. Acceptance by the holder of any payment after acceleration shall not be deemed a waiver of such acceleration. A waiver on one occasion shall not operate as a bar to or waiver of any such right or remedy on any future occasion. No single, partial or other exercise of any right by any holder shall preclude other or further exercise thereof.

The obligations and covenants of Borrower hereunder shall be the joint and several obligations and covenants of the undersigned.

The word "holder" as used in this Note shall mean the payee or indorsee of this Note who is in possession of it, or the bearer if this Note is at the time payable to bearer.

This Note shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

Executed under seal as of the date first written above.

HOUSATONIC RAILROAD CO., INC.

By: _____
Name: John R. Hanlon, Jr.
Title: President

HOUSATONIC TRACK COMPANY, INC.

By: _____
Name: John R. Hanlon, Jr.
Title: President

CONNECTICUT RAILROAD LEASING
COMPANY

By: _____
Name: John R. Hanlon, Jr.
Title: President

EXHIBIT H

[See 4.11, 6.2, 6.4]

Indebtedness

1. Existing term loan from the New Bank of New England in the original principal amount of \$200,000.

2. Line of credit loan from the New Bank of New England up to \$250,000.

Other Material Liabilities

None

Loans By Borrower

None

EXHIBIT I

[See 7.3]

Additional Representations, Warranties,
Covenants and Conditions

1. The Obligations and the representations and warranties of Borrower herein shall be the joint and several obligations and liabilities of Track Co., Rail Co., and Leasing Co., except as explicitly and specifically otherwise provided.

2. Borrower shall obtain railbed insurance (but shall not be required to obtain such insurance in an amount in excess of \$100,000) and shall provide Lender with a certificate of such insurance naming Lender as mortgagee and providing Lender with 20 days notice of cancellation no later than 60 days after the Closing Date.

EXHIBIT J

[See 12]

Notices

To Lender: Thrift Institutions Fund for Economic
Development
c/o Massachusetts Industrial Finance Agency
75 Federal Street
Boston, MA 02110
Attention: Andrew Kahn

With copies to: Thrift Institutions Fund for Economic
Development
50 Congress Street, Room 515
Boston, Massachusetts 02109
Attention: Paul H. Rupp,
Executive Director

Hill & Barlow
One International Place
Boston, Massachusetts 02110
Attention: Peter Katz

To any Borrower: Mr. John R. Hanlon, Jr.
President
Housatonic Railroad Company, Inc.
P.O. Box 1146
Canaan, Connecticut 06018

With copies to: Edward J. Rodriguez, Esquire
P.O. Box 537
Old Saybrook, Connecticut 06475

EXHIBIT K

Opinion of Borrower's Counsel

EXHIBIT L

Second: NBNE, for payment of the Line of Credit (subject to paragraph (b)(v) of this Section 3).

Third: Thrift Fund.

Fourth: NBNE, for any remaining debt.

(ii) Accounts Receivable generated or derived from railroad operations of HRRC involving consignments or deliveries from or to customers on the portion of the railroad line situated in the State of Connecticut and accounts receivable generated or derived from rehabilitation projects, improvement projects or repairs to the portion of the railroad situated in Connecticut and any other accounts receivable attributable to the portion of the line operated by Housatonic Railroad in the State of Connecticut.

First: NBNE.

Second: Thrift Fund.

(iii) Accounts Receivable generated or derived from railroad operations of HRRC involving consignments or deliveries from or to customers on the portion of the railroad line situated in the Commonwealth of Massachusetts and accounts receivable generated or derived from rehabilitation projects, improvement projects or repairs to the portion of the railroad line situated in Massachusetts and any other accounts receivable attributable to the portion of the line operated by Housatonic Railroad in the Commonwealth of Massachusetts.

First: Thrift Fund.

Second: NBNE.

(b) The relative priorities set forth in Subsection (a) are subject to the following:

(i) The relative priority of any Party shall be effective solely following such Party's having made or guaranteed any loan (or portion thereof) to the Borrower, which loan or guarantee is to be secured by an Encumbrance subject to this Agreement. Prior to any Party's making or guaranteeing any such loan (or portion thereof), the relative priorities of the Parties in assets of the Borrower shall be determined as if that Party (which has not made or guaranteed such loan) were not included in the relative priorities set forth above.

(ii) No Party shall challenge or contravene the perfection of the Encumbrances of any other Party. The relative priorities described in subsection (a) above shall