LITCHFIELD FINANCIAL CORP /MA

FORM S-3

(Securities Registration Statement (simplified form))

Filed 07/15/98

Address	430 MAIN STREET
	WILLIAMSTOWN, MA 01267
Telephone	4134581000
CIK	0000882515
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	12/31

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Address	430 MAIN STREET
	WILLIAMSTOWN, Massachusetts 01267
Telephone	413-458-1000
CIK	0000882515
Fiscal Year	12/31

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 15, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LITCHFIELD FINANCIAL CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MASSACHUSETTS	04-3023928
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NUMBER)

430 MAIN STREET, WILLIAMSTOWN, MA 01267, (413)458-1000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) RICHARD A. STRATTON

PRESIDENT AND CHIEF EXECUTIVE OFFICER
LITCHFIELD FINANCIAL CORPORATION
430 MAIN STREET, WILLIAMSTOWN, MASSACHUSETTS 01267
(413)458-1000
COPIES TO:

JAMES WESTRA, ESQ.	BOB F. THOMPSON, ESQ.
HUTCHINS, WHEELER & DITTMAR	BASS, BERRY & SIMS PLC
A PROFESSIONAL CORPORATION	2700 FIRST AMERICAN CENTER
101 FEDERAL STREET	NASHVILLE, TENNESSEE 37238
BOSTON, MASSACHUSETTS 02110	(615)742-6200
(617)951-6600	

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE) APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as

practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER NOTE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Notes	$100,000,000	100%	$100,000,000	$29,500

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933. THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JULY , 1998

PROSPECTUS

$100,000,000

[LITCHFIELD LOGO]

NOTES

Litchfield Financial Corporation ("Litchfield" or the "Company") may offer from time to time up to $100,000,000 aggregate initial offering price of its debt securities (the "Notes") on terms to be determined at the time of offering. The specific designation, aggregate principal amount, maturity, rate and times of payment of interest, if any, redemption and sinking fund terms, if any, other specific terms and any listing on a securities exchange of each series of the Notes in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus supplement hereto (each a "Prospectus Supplement"), together with the terms of offering of the Notes. The terms will be established by negotiation or by competitive bid.

THE NOTES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" COMMENCING ON PAGE 3.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE

ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A

CRIMINAL OFFENSE.

The Company may sell the Notes in any of the following ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser; or (iii) through agents. The names of any such underwriters or agents and any applicable commissions or discounts will be set forth in an accompanying Prospectus Supplement. Prospectus information and net proceeds to the Company from the sale of each series of Notes will also be set forth in such Prospectus Supplement. See "Plan of Distribution" herein.

THE DATE OF THIS PROSPECTUS IS JULY , 1998.

AVAILABLE INFORMATION

The Company has filed with the Commission a registration statement on Form S-3 (herein, with all amendments and exhibits thereto, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Notes offered hereby. This Prospectus, which is part of the Registration Statement, does not contain all of the information set forth in the Registration Statement or the exhibits and schedules thereto, certain portions having been omitted pursuant to the rules and regulations of the Commission. Statements made in this Prospectus as to the contents of any contract or other document are not necessarily complete; with respect to each such contract or other document filed with the Commission as an exhibit to the Registration Statement, or incorporated by reference to exhibits previously filed, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and in accordance therewith files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information can be inspected and copied at the Public Reference Section of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, Seven World Trade Center, New York, New York 10048 and Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Room 3190, Chicago, Illinois 60661. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission at http://www.sec.gov. The Company's Common Stock is listed on The Nasdaq Stock Market's National Market, and such reports, proxy statements and other information can also be inspected at the Offices of Nasdaq Operations, 1735 K Street, N.W., Washington D.C. 20006.

INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission pursuant to the Exchange Act, are incorporated in and made a part of this Prospectus by reference:

(a) The Company's Annual Report on Form 10-K for the year ended December 31, 1997.

(b) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

(c) The definitive Proxy Statement dated March 24, 1998 for the Annual Meeting of the Company's stockholders held on April 24, 1998.

All reports and any definitive proxy or information statements filed by the Company with the Commission pursuant to Sections 13, 14 and 15 (d) of the Exchange Act prior to the termination of the offering of the shares offered hereby shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated herein by reference modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all of the documents incorporated herein by reference (other than exhibits not specifically incorporated in such documents). Requests for such copies should be directed to Ronald E. Rabidou, Chief Financial Officer and Treasurer, Litchfield Financial Corporation, 430 Main Street, Williamstown, MA 01267 (telephone number: 413-458-1000).

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE NOTES OFFERED HEREBY, INCLUDING OVER-ALLOTMENTS, STABILIZING TRANSACTIONS, SYNDICATE SHORT COVERING TRANSACTIONS AND PENALTY BIDS. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Notes offered hereby:

General Business Risks. The Company's business is subject to various business risks. The level of the Company's revenues is dependent upon demand for the type of loans originated, purchased, sold and serviced by the Company from both potential borrowers and investors. Future declines in real estate values, changes in prevailing interest rates and changes in the availability of attractive returns on alternative investments each could make loans of the type originated and purchased by the Company less attractive to borrowers and investors.

Funding and Liquidity. The Company has a constant need for working capital to fund its lending, purchasing and securitization activities and, as a result, generally has experienced negative cash flows from operations. Historically, the Company has funded any negative cash flows from operations by borrowing under secured lines of credit and issuing long-term debt and equity securities. The Company's lines of credit are renewable on one to three year bases. The Company had secured lines of credit totaling $117.5 million with six financial institutions as of March 31, 1998. Outstanding borrowings on these lines of credit were $23,125,000 at March 31, 1998. To date, the Company has issued $122.8 million of long-term debt and has publicly issued $46.3 million of equity securities.

The Company also has a $150.0 million revolving line of credit and sale facility as part of an asset backed commercial paper facility with a multi-seller commercial paper conduit. The facility expires in June 2001. As of March 31, 1998, the outstanding balance of the sold or pledged loans securing this facility was $116.6 million. Outstanding borrowings on this facility were $97,000 at March 31, 1998. The Company has an additional revolving line of credit and sale facility of $25.0 million with another multi-seller commercial paper conduit. The facility expires in March 2000. As of March 31, 1998, the outstanding aggregate balance of the sold or pledged loans under the facility was $13.3 million.

There can be no assurance that the Company will continue to be able to obtain financing or raise capital on terms satisfactory to the Company. To the extent the Company cannot raise additional funds, lack of liquidity could have a material adverse impact on its operations and its ability to repay the Notes.

Impact of Economic Cycles. The business risks associated with the Company's business become more acute in an economic slowdown. Asset values generally decrease and delinquencies, foreclosures and loan losses generally increase during economic slowdowns or recessions, and any such future slowdowns could adversely affect future operations of the Company.

Interest Rate Risk. The Company's interest and fees on loans, gain on sale of loans and interest expense are affected by changes in interest rates. The Company could be adversely affected by interest rate increases if its variable rate liabilities exceed its variable rate assets or if the rates on its variable rate liabilities increase sooner or to a greater extent than the rates on its variable rate assets.

The Company seeks to mitigate a portion of its interest rate risk by attempting to match fixed and variable rate assets and liabilities, instituting interest rate floors and by entering into interest rate swaps on certain of its variable rate assets, and purchasing interest rate caps on certain of its variable rate liabilities. There can be no assurance that the Company's attempts to mitigate its interest rate risk will be effective.

Competition. The finance business is highly competitive, with competition occurring primarily on the basis of customer service and the term and interest rate of the loans. Traditional competitors in the finance business include commercial banks, credit unions, thrift institutions, industrial banks and other finance companies, many of which have considerably greater financial, technical and marketing resources than the Company. There can be no assurance that the Company will not face increased competition from existing or new financial institutions and finance companies. In addition, the Company may enter new lines of business that may be highly competitive and may have competitors with greater financial resources than the Company.

Credit Risks. The Company's loans are subject to delinquency and default risk. General downturns in the economy and other factors beyond the Company's control may have an adverse effect on the Company's

delinquency and default rates. The Company's A&D Loans and, to a lesser extent, its Hypothecation Loans have a greater concentration of credit risk due to their larger size and their development and marketing risk.

The Company's VOI Loans (hereinafter defined) are subject to certain risks associated with VOI ownership. Although individual VOI owners are obligated to make payments under their purchase obligation irrespective of any defect in, damage to, or change in conditions of the vacation resort (such as erosion, construction of adjacent or nearby properties, or environmental problems) or of any breach of contract by the property owners association to provide certain services to the VOI borrowers (including any such breach resulting from a destruction of the resort) or of any other loss of benefits related to their unit week(s) (including cessation of the ability of the borrowers to exchange their time intervals in the resort for time intervals in other unaffiliated resorts), any such material defect, damage, change, breach of contract, or loss of benefits is likely to result in a delay in payment or default by a substantial number of the borrowers whose VOIs are affected. The costs of liquidating unit weeks securing defaulted loans are likely to be substantially higher than such costs for traditional mortgage loans, and this may materially affect the amounts realized by the Company on defaulted loans.

Estimates of Future Prepayment and Default Rates. A significant portion of the Company's revenues historically has been comprised of gains on sales of loans. The gains are recorded in the Company's revenues and on its balance sheet (as retained interests on loan sales) at the time of sale, and the amount of gains recorded is based in part on management's estimates of future prepayment and default rates and other considerations in light of then-current conditions. If actual prepayments with respect to loans occur more quickly than was projected at the time such loans were sold, as can occur when interest rates decline, interest income would be less than expected and earnings would be charged in the current period. If actual defaults with respect to loans sold are greater than estimated, charge-offs would exceed previously estimated amounts and earnings would be charged in the current period.

Expansion of Business. The Company has increased the number and average principal amount of its Hypothecation and A&D Loans. A&D Loans are larger commercial loans to land dealers and resort developers and, consequently, have a greater concentration of credit risk than the Company's Purchased Loans. A&D Loans for timeshare resorts are also subject to greater risk because their repayment depends on the successful completion of the development of the resort and the subsequent successful sale of a substantial portion of the resort's timeshare interests. The Company may seek to limit its exposure to any one developer by participating a portion of an A&D Loan with another lender.

The Company has historically made Hypothecation Loans to land dealers and resort developers secured by Land Loans and VOI Loans, respectively. Hypothecation Loans are commercial loans that have significantly larger balances than the Company's Purchased Loans and, consequently, have a greater concentration of credit risk which is only partially offset by the lesser concentration of credit risk of the underlying collateral.

In addition, the Company has recently expanded its marketing of Hypothecation Loans to include loans to other finance companies secured by other types of receivables. These loans may be subject to additional risk because the Company has relatively less experience with these other types of receivables than with Land Loans or VOI Loans. In addition, these loans may be larger than the Company's average Hypothecation Loans and may provide the Company with an option to take an equity position in the borrower.

Fluctuations in Quarterly Results of Operations. Since gains on sales of loans are a significant portion of the Company's revenues, the timing of loan sales has a significant effect on the Company's quarterly results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter.

Contingent Repurchase Obligations. In connection with certain of the Company's whole loan sales to investors, the Company has committed to repurchase such loans that become 90 days past due. These contingent obligations are subject to various terms and conditions, including limitations on the amounts of loans which must be repurchased. The Company has also guaranteed payment of loans included in certain of its securitization programs. As of March 31, 1998, the Company had outstanding contingent repurchase obligations in the aggregate amount of approximately $9.9 million. In addition, when the Company sells loans

through securitization programs, the Company commits to replace any loans that do not conform to certain representations and warranties included in the operative loan sale documents.

Third Party Servicer. The Company uses a third party to provide certain data processing services in connection with the servicing of its loans. The third party's systems and controls support the servicing, collecting and monitoring of the Serviced Portfolio as well as certain accounting and management functions of the Company. There can be no assurance that the third party will continue to provide these services in the future or that its systems and controls will continue to be adequate to support the Company's growth. A failure of the third party's automated systems or its controls over data integrity or accuracy could have a material adverse effect on the Company's operations and financial condition.

Year 2000 Compliance. The Company uses and is dependent upon a significant number of computer software programs and operating systems to conduct its business. The Company believes that substantially all of its operating systems are year 2000 compliant. To the extent that the Company relies on outside software vendors, year 2000 compliance matters will not be within the Company's direct control. In addition, the Company has relationships with vendors, customers and other third parties that rely on computer software that may not be year 2000 compliant. There can be no assurance that year 2000 compliance failures by the Company and such third parties will not have a material adverse effect on the Company's results of operations.

Regulation. The operations of the Company are subject to extensive regulation by federal, state and local government authorities and are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, including among other things, regulating credit granting activities, establishing maximum interest rates and finance charges, requiring disclosures to customers, governing secured transactions and setting collection, repossession and claims handling procedures and other trade practices. In addition, certain states have enacted legislation which restricts the subdivision of rural land and numerous states have enacted regulations in connection with VOIs. Although the Company believes that its activities are in compliance in all material respects with applicable federal, state and local laws, rules and regulations, there can be no assurance that more restrictive laws, rules and regulations or interpretations thereof will not be adopted in the future which could make compliance much more difficult or expensive, restrict the Company's ability to originate, purchase or sell loans, further limit or restrict the amount of interest and other charges earned under loans originated or purchased by the Company, or otherwise adversely affect the business or prospects of the Company.

Environmental Liabilities. In the course of its business, the Company has acquired, and may in the future acquire, properties securing defaulted loans. Although substantially all of the Company's Land Loans are secured by mortgages on rural land, there is a risk that hazardous substances or waste could be discovered on such properties after foreclosure by the Company. In such event, the Company might be required to remove such substances from the affected properties at its sole cost and expense. There can be no assurances that the cost of such removal would not substantially exceed the value of the affected properties or the loans secured by the properties or that the Company would have adequate remedies against the prior owner or other responsible parties, or that the Company would not find it difficult or impossible to sell the affected properties either prior to or following any such removal.

Dependence on Senior Management. The Company's success depends upon the continued contributions of its senior management. The loss of services of certain of the Company's executive officers could have an adverse effect upon the Company's business. The Company maintains key man insurance on the life of Richard A. Stratton, its Chief Executive Officer and President.

Limited Market for Notes. The Company has no present intention to have the Notes authorized for quotation on the Nasdaq stock market or any other quotation system or listed on any securities exchange. Although the Company has been advised that the Underwriters currently intend to make a market in the Notes, the Underwriters are under no obligation to do so or to continue any market making activities if commenced. No assurance can be given that an active trading market for the Notes will develop.

Leverage. The issuance of the Notes will increase the Company's leverage to the extent that the proceeds of the Offering are not used to satisfy indebtedness of the Company and/or over time to the extent the Company reborrows on any indebtedness paid down with such proceeds. The consequences of increased leverage include: (i) the Company's increased vulnerability to changes in economic conditions and competition; (ii) the potential limitations on the Company's access to capital markets and ability to refinance its secured financing facilities; and (iii) the dedication of a substantial portion of the Company's available cash to debt service, thereby reducing cash available to fund expanding business operations and future business opportunities.

Limited Covenants in the Indenture; Absence of Sinking Fund. The Indenture pursuant to which the Notes will be issued may contain financial and operating covenants including, among others, limitations on the Company's ability to pay dividends, incur additional indebtedness and engage in certain transactions. This may include limitations on certain consolidations, mergers or transfers of all or substantially all of its assets. The covenants in the Indenture may be limited and not designed to protect the Noteholders in the event of a material adverse change in the Company's financial condition or results of operations. Further, the Notes may not have the benefit of any sinking fund payments by the Company. See "Description of Notes."

THE COMPANY

Litchfield Financial Corporation (the "Company") is a specialty finance company that provides financing to creditworthy borrowers for assets not typically financed by banks. The Company provides such financing by purchasing consumer loans and by making loans to businesses secured by consumer receivables or other assets.

The Company purchases consumer loans (the "Purchased Loans") consisting primarily of loans to purchasers of rural and vacation properties ("Land Loans") and vacation ownership interests, popularly known as timeshare interests ("VOI Loans"). The Company also provides financing to rural land dealers, timeshare resort developers and other finance companies secured by receivables ("Hypothecation Loans") and to dealers and developers for the acquisition and development of rural land and timeshare resorts ("A&D Loans"). In addition, the Company purchases other loans, such as consumer home equity loans and consumer construction loans, and provides financing to other businesses secured by receivables or other assets ("Other Loans").

Land Loans are typically secured by one to twenty acre rural parcels. Land Loans are secured by property located in 35 states, predominantly in the southern United States. VOI Loans typically finance the purchase of ownership interests in fully furnished vacation properties. VOI Loans are secured by property located in 17 states, predominantly in California, Florida and Pennsylvania. The Company requires most dealers or developers from whom it buys loans to guarantee repayment or replacement of any loan in default. Ordinarily, the Company retains a percentage of the purchase price as a reserve until the loan is repaid.

The Company extends Hypothecation Loans to land dealers, resort developers and other finance companies secured by receivables. Hypothecation Loans typically have advance rates of 75% to 90% of the current balance of the pledged receivables and variable interest rates based on the prime rate plus 2% to 4%.

The Company also makes A&D Loans to land dealers and resort developers for the acquisition and development of rural land and timeshare resorts in order to finance additional receivables generated by the A&D Loans. At the time the Company makes A&D Loans, it typically receives an exclusive right to purchase or finance the related consumer receivables generated by the sale of the subdivided land or timeshare interests. A&D Loans typically have loan to value ratios of 60% to 80% and variable interest rates based on the prime rate plus 2% to 4%.

The principal sources of the Company's revenues are (i) interest and fees on loans, (ii) gains on sales of loans and (iii) servicing and other fee income. Gains on sales of loans are based on the difference between the allocated cost basis of the assets sold and the proceeds received, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Because a significant portion of the Company's revenue is comprised of gains realized upon sales of loans, the timing of such sales has a significant effect on the Company's results of operations. As of March 31, 1998, the Company had sold $265.0 million of Land Loans, $54.1 million of VOI Loans and $47.6 million of Hypothecation Loans since its inception.

As of March 31, 1998, the Company serviced loans with a principal balance of $338.5 million (the "Serviced Portfolio"), of which the Company owned $154.3 million. As of March 31, 1998 the Serviced Portfolio was comprised of 52.5% Purchased Loans, 32.3% Hypothecation Loans, 12.8% A&D Loans and 2.4% Other Loans. The average principal balance of the Land Loans in the Serviced Portfolio was $13,200 with a weighted average remaining maturity of 12.1 years and a weighted average interest rate of 12.0%. Approximately 82.5% of such loans had fixed rates of interest. The average principal balance of the VOI Loans in the Serviced Portfolio was $3,500 with a weighted average remaining maturity of 3.8 years and a weighted average interest rate of 14.6%. Approximately 96.3% of such loans had fixed rates of interest. The average principal balance of the Hypothecation Loans in the Serviced Portfolio was $1,401,000 with a weighted average interest rate of 11.5% and an average advance rate of 84.0%. Approximately 88.5% of such loans had variable rates of interest. The average principal balance of the A&D Loans in the Serviced Portfolio was $545,000 with a weighted average interest rate of 11.6% and an average loan to value ratio of 71%. Approximately 86.1% of such loans had variable rates of interest. As of March 31, 1998, loans 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned were 1.20% of the Serviced Portfolio. For the three months ended March 31, 1998, annualized net charge-offs were .66% of the average Serviced Portfolio.

The Company was founded in November 1988. The Company's strategy has been to build its Serviced Portfolio by acquiring loan portfolios from rural land dealers, resort developers and financial institutions and by providing loans to such dealers, developers and other finance companies secured by receivables. The Company also provides A&D Loans in order to have the opportunity to finance additional receivables generated by these A&D loans. As part of its business and financing strategy, the Company seeks niche markets where its underwriting expertise and ability to provide value-added services enable it to distinguish itself from its competitors and earn an attractive rate of return on its invested capital. Initially, the Company pursued this strategy by financing consumer Land Loans through a land dealer network and portfolio acquisitions. Subsequently, the Company extended its strategy to financing consumer VOI Loans and providing Hypothecation Loans to land dealers and resort developers. In 1995, the Company significantly expanded its financing of VOIs when it acquired approximately $41.5 million of VOI related loans and assets as part of its purchase of the Government Employees Financial Corporation ("GEFCO") portfolio. In 1997 and 1998, the Company has expanded its financing of Hypothecation Loans to other finance companies secured by other types of receivables, which to date have included construction loans, tax lien certificates and healthcare receivables. The Company expects to continue to expand its specialty finance company lending. These loans may be larger than the Company's average Hypothecation Loans and may provide the Company an option to take an equity position in the borrower. The Company's objective is to identify other lending opportunities or lines of business to diversify its portfolio as it did with VOI Loans and Hypothecation Loans.

USE OF PROCEEDS

Except as may be otherwise stated in the applicable Prospectus Supplement hereto, it is expected that the Company will use the net proceeds from the sale of the Notes for general corporate purposes, which may include the funding of originations and loan purchases, the funding of cash requirements of the Company's future loan securitizations or the repayment of certain of the Company's indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

For the three-month period ended March 31, 1998 and the last five fiscal years, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	YEARS ENDED DECEMBER 31,					
	1993	1994	1995	1996	1997	THREE MONTHS ENDED MARCH 31, 1998
Ratio of Earnings to Fixed Charges.....	2.35	2.37	1.90	2.19	2.01	1.84

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before taxes and extraordinary item and fixed charges. Fixed charges consist of interest charges and the amortization of debt expense.

DESCRIPTION OF NOTES

GENERAL

The Notes are to be issued under an Indenture dated as of July 15, 1998, and one or more supplemental indentures (the "Indenture") between the Company and The Bank of New York, as trustee (the "Trustee"). The particular terms of any series of Notes offered by any Prospectus Supplement (each such series individually the "Offered Notes") will be described in the Prospectus Supplement relating to such Offered Notes (the "Applicable Prospectus Supplement"). A copy of the Indenture is an exhibit to the Registration Statement of which this Prospectus is a part and a copy of a form of Supplemental Indenture will be filed by the Company with the Commission as an exhibit to a document which will be incorporated by reference herein. The following summaries of certain provisions of the Notes and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture and the applicable supplemental indenture, including the definitions therein of certain terms. Capitalized terms not otherwise defined in this Prospectus shall have the meanings given to them in the Indenture.

The Indenture provides that Notes may be issued from time to time in one or more series in an aggregate principal amount up to $100,000,000. The Notes will be issued as fully-registered Notes only in integral multiples of $1,000 and will be direct unsecured obligations of the Company.

The Applicable Prospectus Supplement will describe the following terms of the Offered Notes: (a) the title of the Offered Notes; (b) any limit on the aggregate principal amount of the Offered Notes; (c) the date or dates on which the Offered Notes will mature; (d) the rate or rates per annum at which the Offered Notes will bear interest and the date or dates from which such interest will accrue and the dates on which such interest on the Offered Notes will be payable and the record date for such interest payment dates; (e) the terms of any rights of the Company to redeem the Offered Notes at its option; (f) the terms of any rights of the Holders to redeem the Offered Notes at their option; and (g) any other terms of the Offered Notes.

REDEMPTION AT HOLDER'S OPTION

Unless the Notes have been declared due and payable prior to their maturity by reason of an Event of Default and such Event of Default has not been waived and such declaration has not been rescinded or annulled, a holder has the right to present Notes for payment prior to their maturity, and the Company will redeem the same (or any portion of the principal amount thereof which is $1,000 or an integral multiple thereof, as the holder may specify) subject to the limitations that the Company will have no obligation to redeem Notes in excess of the following annual maximum amounts, or the applicable annual maximum amounts set forth in any applicable supplemental indenture (collectively, the "Annual Amount Limitations") of (A) $25,000 in aggregate principal amount per holder for any Redemption Period (defined below) and (B) for any Redemption Period, an aggregate principal amount for all Notes submitted for redemption equal to five percent (5%) of the aggregate original principal amount of the Notes of all series theretofore issued under the Indenture (the "Five Percent Limitation"). Notes submitted for redemption, except for Notes submitted for redemption following the death of a holder, must be submitted on or prior to the date that is sixty (60) days prior to the end of the applicable Redemption Period, for redemption on the last day of such Redemption Period. If the $25,000 per holder limitation has been reached and the Five Percent Limitation has not been reached, if Notes have been properly presented for payment, each in an aggregate principal amount exceeding $25,000, the Company will redeem such Notes in order of their receipt (except Notes presented for payment in the event of death of a holder, which will be given priority in order of their receipt), up to the aggregate limitation of five percent (5%) of the aggregate principal amount of the Notes of all series issued under the Indenture, notwithstanding the $25,000 limitation. "Redemption Period" shall mean the period of time beginning with the date of issuance of Notes hereunder and ending with the first day of the thirteenth month following such date, and every twelve (12) month period thereafter.

Subject to the Annual Amount Limitations (and unless the Notes have been declared due and payable prior to their maturity by reason of an Event of Default and such Event of Default has not been waived and such declaration has not been rescinded or annulled), the Company will, at any time upon the death of any holder, redeem Notes within sixty (60) days following receipt by the Trustee of a written request therefor from such holder's personal representative, or surviving joint tenant(s), tenant by the entirety or tenant(s) in common.

The price to be paid by the Company for all Notes presented to it for redemption pursuant to these provisions is 100% of the principal amount thereof to be redeemed, plus accrued but unpaid interest on such principal amount to the date of payment.

In the case of Notes registered in the names of banks, trust companies or broker-dealers who are members of a national securities exchange or the National Association of Securities Dealers, Inc. ("Qualified Institutions"), the $25,000 limitation shall apply to each beneficial owner of Notes held by a Qualified Institution and the death of such beneficial owner shall entitle a Qualified Institution to seek redemption of such Notes as if the deceased beneficial owner were the record holder. A Note held in tenancy by the entirety, joint tenancy or tenancy in common will be deemed to be held by a single holder, and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a holder. A person who is entitled to substantially all of the beneficial interests of ownership of a Note will be deemed to be the holder, if such beneficial interest can be established to the satisfaction of the Trustee, and the death of such person will be

deemed to be the death of the holder, regardless of the registered holder. For purposes of a holder's request for redemption and a request for redemption on behalf of a deceased holder, such beneficial interest shall be deemed to exist in cases of street name or nominee ownership, ownership by a custodian for the benefit of a minor under the Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife (including individual retirement accounts or Keogh plans maintained solely by or for the holder or decedent, or by or for the holder or decedent and his or her spouse), and trusts and certain other arrangements where a person has substantially all of the power to sell, transfer or otherwise dispose of a Note and the right to receive the proceeds therefrom, as well as interest and principal payable with respect thereto.

Notes may be presented for redemption by delivering to the Trustee: (a) a written request for redemption, in a form satisfactory to the Trustee, signed by the registered holder(s) or his or her duly authorized representative, (b) the Note to be redeemed, free and clear of any liens or encumbrances of any kind, and (c) in the case of a surviving tenant or personal representative of a deceased holder or beneficial owner, appropriate evidence of such death and, if made by a representative of a deceased holder, appropriate evidence of authority to make such request. Qualified Institutions must submit evidence, satisfactory to the Trustee, that they hold Notes on behalf of such beneficial owner and must certify that the aggregate amount of requests for redemption tendered by such Qualified Institution on behalf of each beneficial owner in the initial period or in any subsequent twelve (12) month period does not exceed $25,000.

Any Notes presented for redemption at the option of the holder may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal to the Trustee (a) in cases other than by reason of death of a holder on or prior to the date that is sixty (60) days prior to the end of the applicable Redemption Period, or (b) prior to the issuance of a check in payment thereof or any other form of payment authorized by the Indenture in the case of Notes presented by reason of the death of a holder.

Notes presented for redemption as set forth above will be redeemed in order of their receipt by the Trustee, except that Notes presented for payment in the event of death of a holder will be given priority in order of their receipt, over other Notes. Notes not redeemed in any such period because they have not been presented on or prior to the date that is sixty (60) days prior to the end of the applicable Redemption Period or because of the Annual Amount Limitations will be held in order of their receipt for redemption during the following twelve (12) month period(s) until redeemed, unless sooner withdrawn by the holder. Holders of Notes presented for redemption shall be entitled to and shall receive scheduled monthly payments of interest thereon on scheduled Interest Payment Dates until their Notes are redeemed.

In the case of any Notes which are presented for redemption in part only, upon such redemption the Company shall execute and the Trustee shall authenticate and deliver to or on the order of the holder of such Notes, without service charge, a new Note(s), of any authorized denomination or denominations as requested by such holder, in aggregate principal amount equal to the unredeemed portion of the principal of the Notes so presented. Nothing herein shall prohibit the Company from redeeming, in acceptance of tenders made pursuant hereto, Notes in excess of the principal amount that the Company is obligated to redeem, nor from purchasing any Notes in the open market. However, the Company may not use any Notes purchased in the open market as a credit against its redemption obligations hereunder.

NOTEHOLDERS' RIGHTS TO PREPAYMENT AFTER FUNDAMENTAL STRUCTURAL CHANGE OR SIGNIFICANT SUBSIDIARY DISPOSITION

In the event of any Fundamental Structural Change of the Company (as defined herein below) or a Significant Subsidiary Disposition (as defined herein below), each holder of Notes will have the right, at the holder's option and subject to the terms and conditions of the Indenture, to require the Company to purchase all or any part (provided the principal amount of such part is $1,000 or an integral multiple thereof) of the holder's Notes on the date that is 75 days after the occurrence of the Fundamental Structural Change or Significant Subsidiary Disposition (the "Repurchase Date") at a price equal to 100% of the principal amount thereof plus accrued but unpaid interest to the Repurchase Date, unless on or before the date that is 40 days after the occurrence of the Fundamental Structural Change or Significant Subsidiary Disposition, the Notes have received a rating of Baa3 or better by Moody's Investors Service, Inc., or BBB- or better by either

Standard & Poor's Corporation or Duff & Phelps Credit Rating Co. Neither the Board of Directors of the Company nor the Trustee has the ability to waive the Company's obligation to redeem a holder's Notes upon request in the event of a Fundamental Structural Change or Significant Subsidiary Disposition. Exercise of this redemption option by a holder is irrevocable.

If a Fundamental Structural Change or Significant Subsidiary Disposition occurs, unless the Notes have received a rating as described in the immediately preceding paragraph, the Company is obligated to provide promptly, but in any event within three business days after expiration of the 40 day period referenced above, notice to the Trustee, who shall promptly (and in all events within five days after receipt of notice from the Company) notify all holders of the Notes, of the Fundamental Structural Change or Significant Subsidiary Disposition, which notice shall state, among other things (i) the availability of the redemption option, (ii) the date before which a holder must notify the Trustee of such holder's intention to exercise the redemption option (which date shall be no more than three business days prior to the Repurchase Date), and (iii) the procedure such holder must follow to exercise such right. To exercise this right, the holder must deliver to the Trustee on or before the close of business on the Repurchase Date, written notice of such holder's redemption election signed by such holder or its authorized representative and the Note or Notes to be redeemed free of liens or encumbrances.

Under the Indenture, a "Fundamental Structural Change" in the Company is deemed to have occurred at such time as (i) the Company shall consolidate with or merge into any other corporation or partnership, or convey, transfer or lease all or substantially all of its assets to any person other than as part of a loan securitization or sale entered into in the ordinary course of business,
(ii) any person shall consolidate with or merge into the Company pursuant to a transaction in which at least a majority of the common stock of the Company then outstanding is changed or exchanged or in which the number of shares of common stock issued by the Company in the transaction to persons who were not stockholders of the Company immediately prior to such transaction is greater than the number of shares outstanding immediately prior to the transaction,
(iii) any person shall purchase or otherwise acquire in one or more transactions beneficial ownership of 50% or more of the common stock of the Company outstanding on the date immediately prior to the last purchase or other acquisition, (iv) the Company or any subsidiary shall purchase or otherwise acquire in one or more transactions during the twelve month period preceding the date of the last such purchase or other acquisition an aggregate of 25% or more of the common stock of the Company outstanding on the date immediately prior to the last such purchase or acquisition, or (v) the Company shall make a distribution of cash, property or securities to holders of common stock in their capacity as such (including by means of dividend, reclassification or recapitalization) which, together with all other distributions during such 12 month period preceding the date of such distribution, has an aggregate fair market value in excess of an amount equal to 25% of the fair market value of common stock of the Company outstanding on the date immediately prior to such distribution.

Under the Indenture, a "Significant Subsidiary Disposition" shall be deemed to have occurred upon (i) the merger, consolidation, or conveyance or transfer of all or substantially all of the assets of a Significant Subsidiary, or (ii) the issuance, sale, transfer, assignment, pledge or other disposition of the capital stock of a Significant Subsidiary or securities convertible or exchangeable into shares of capital stock of such Significant Subsidiary. A Significant Subsidiary is any subsidiary of the Company the consolidated assets of which constitute 20% or more of the Company's consolidated assets. The Company does not currently have any Significant Subsidiaries.

Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase such Notes as a result of conveyance, transfer or lease of less than all of the assets of the Company or a Significant Subsidiary to another person may be uncertain.

Except as described above with respect to a Fundamental Structural Change or Significant Subsidiary Disposition, the Indenture does not contain any other provisions that permit the holders of the Notes to require that the Company repurchase the Notes in the event of a takeover or similar transaction. Moreover, a recapitalization of the Company or a transaction entered into by the Company with management or its affiliates would not necessarily be included within the definition of a "Fundamental Structural Change" or a

"Significant Subsidiary Disposition." Accordingly, while such definitions cover a wide variety of arrangements which have traditionally been used to effect highly-leveraged transactions, the Indenture does not afford the holders of Notes protection in all circumstances from highly leveraged transactions, reorganizations, restructurings, mergers or similar transactions involving the Company and its Significant Subsidiaries that may adversely affect holders of Notes.

The Company has previously issued notes pursuant to indentures that permit the holders thereof to require the Company to repurchase such notes upon the occurrence of events which are substantially identical to those described in the definitions of "Fundamental Structural Change" and "Significant Subsidiary Disposition" above. Such notes rank on a parity with the Notes. No assurance can be given that if a Fundamental Structural Change or Significant Subsidiary Disposition were to occur, there would be sufficient funds available to the Company to pay the amounts outstanding under the Notes, the previously issued notes and any other instruments or facilities then outstanding which are senior to or on a parity with the Notes.

The Fundamental Structural Change purchase feature of the Notes may, in certain circumstances, make more difficult or discourage a takeover of the Company and thus removal of incumbent management. The Fundamental Structural Change purchase feature, however, is not the result of management's knowledge of any specific effort to obtain control of the Company or part of a plan by management to adopt a series of anti-takeover provisions. Rather, the terms of the Fundamental Structural Change purchase feature are a result of negotiations between the Company and the Underwriters.

To the extent that the right of redemption by a holder in the event of a Fundamental Structural Change constitutes a tender offer under Section 14(e) of the Exchange Act and the rules thereunder, the Company will comply with all applicable tender offer rules.

EVENTS OF DEFAULT; NOTICE AND WAIVER

The following will be Events of Default: (a) default in the payment of principal, or premium, if any, when due; (b) default in the payment of any interest when due, continued for five days; (c) default in the meeting of any redemption payment when due, continued for five days; (d) default in the performance of any other covenant or warranty of the Company, continued for 30 days after written notice to the Company by the Trustee or to the Company and the Trustee by the holders of at least 10% in principal amount of the outstanding Notes affected; (e) any default by the Company under the terms of any instrument under which Indebtedness in an aggregate principal amount in excess of $1,000,000 outstanding is accelerated and such acceleration is not rescinded or annulled within 10 days after written notice to the Company from the Trustee or to the Trustee and the Company from the holders of not less than 25% in principal amount of the outstanding Notes; or (f) certain events of bankruptcy, insolvency or reorganization. If any Event of Default shall occur and be continuing, the Trustee or the holders of not less than 25% in principal amount of outstanding Notes may declare the Notes immediately due and payable.

The Company is required to deliver quarterly to the Trustee an officer's certificate as to the absence or existence of any default in the performance of any covenant contained in the Indenture or any supplemental indenture during the preceding quarter and is also required to provide the Trustee notice within ten business days after the Company knew or should have known of a default under the Indenture or any supplemental indenture or any other Indebtedness of the Company.

The Indenture provides that the Trustee will, within 90 days after obtaining notice of the occurrence of a default, give the holders of Notes (and to certain other persons and former noteholders) notice of all uncured defaults known to it; but, except in the case of a default in the payment of principal, or premium, if any, or interest on any of the Notes, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of such holders.

The holders of a majority of the aggregate principal amount of outstanding Notes may on behalf of the holders of all Notes waive certain past defaults, not including a default in payment of principal, or premium, if any, or interest on any Note.

RESTRICTIONS ON ADDITIONAL INDEBTEDNESS

In the Indenture, the Company has covenanted that on each of June 30, December 31 and any day on which the Company directly or indirectly incurs any Indebtedness (as defined in the Indenture), the Company will maintain a Ratio equal to or in excess of 2:1. The term "Ratio" means the ratio of (A) the Company's earnings before deduction of taxes, depreciation, amortization and interest expense for the twelve month period immediately preceding the date such Ratio is calculated (as shown by a pro forma consolidated income statement of the Company) to (B) the aggregate dollar amount of interest paid by the Company on the Notes and all other Indebtedness of the Company or its subsidiaries during such twelve month period, in each case, after giving effect to the incurrence of such Indebtedness and, if applicable, the application of the proceeds therefrom. The Company is required to deliver to the Trustee, within 45 days after each June 30 and December 31, and each incurrence of Indebtedness, an officer's certificate containing appropriate calculations of the Ratio and the compliance of the Company with this covenant. At March 31, 1998, the Company's Ratio was 2.65:1.

LIMITATION ON DIVIDENDS AND OTHER PAYMENTS

The Company has agreed pursuant to the Indenture that it will not make, pay or declare any of the following (each a "Restricted Payment"): (i) any dividend or other distribution of property or assets other than dividends paid solely in the Company's stock, (ii) a repayment or defeasance of any indebtedness which is subordinate to the Notes (except, so long as the Notes are not in default, scheduled payments of principal and interest thereon), (iii) an exchange of equity for debt issued subsequent to the last day of the month immediately preceding the date of the first issuance of Notes hereunder, or (iv) any stock repurchase, unless such Restricted Payment when aggregated with all other Restricted Payments is less than the sum of (A) $2,000,000 plus (B) 45% of the Company's and its subsidiaries' cumulative net income earned during the period commencing on the last day of the month immediately preceding the date of the first issuance of Notes hereunder and ending on the date of such Restricted Payment, plus (C) the cumulative cash and non-cash proceeds to the Company of all public or private equity offerings during such time. In addition, the Company is prohibited by the Indenture from making any Restricted Payment if,
(i) by so doing, the Company will be in violation of any other provisions of the Indenture or any other loan agreement or indenture to which the Company is a party, or (ii) there is an existing default under the Indenture.

MERGER, CONSOLIDATION OR SALE OF ASSETS; SUCCESSOR CORPORATION

The Company has covenanted that it will not merge or consolidate with, or sell all or substantially all of its assets to, any person, firm or corporation unless the Company is the continuing corporation in such transaction and, immediately thereafter, is not in default under the Indenture or, if it is not the continuing corporation, the successor corporation expressly assumes the Company's obligations under the Indenture and, immediately after such transaction, the successor corporation is not in default under the Indenture. Any successor corporation shall succeed to and be substituted for the Company as if such successor corporation has been named as the Company in the Indenture.

MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of 66 2/3% in principal amount of outstanding Notes, provided that no such modification or amendment may (i) reduce the principal amount of or interest on any Note or change the stated maturity of the principal or the interest payment dates or change the currency in which the Notes are to be paid, without the consent of each holder of any Note affected thereby, or (ii) reduce the percentage of holders of Notes necessary to modify or alter the Indenture, without the consent of the holders of all Notes then outstanding.

THE TRUSTEE

The Bank of New York is the Trustee under the Indenture. Its mailing address is 101 Barclay Street, New York, NY 10286.

The Indenture contains a provision pursuant to which the Company will indemnify the Trustee against any and all losses or liabilities incurred by the Trustee in connection with its execution and performance of the Indenture; provided, however, that such indemnification will not extend to losses resulting from a breach of the Trustee's duties under the Indenture. The Indenture provides that the holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, subject to certain limitations set forth in the Indenture. The Trustee is not required to take any action at the direction of the holders of the Notes unless such holders have provided the Trustee with a reasonable indemnity.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will initially be issued in the form of one or more registered notes in global form without coupons (each a "Global Note"). Each Global Note will be deposited on the date of the closing of the sale of the Notes (the "Closing Date") with, or on behalf of, the Depository Trust Company and registered in the name of Cede & Co., as nominee of The Depository Trust Company. Any person having a beneficial interest in a Global Note may, upon request to the Trustee, exchange such beneficial interest for certificated notes. Upon such issuance, the Trustee is required to register such certificated notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof).

PLAN OF DISTRIBUTION

The Company may sell the Notes to or through underwriters, and also may sell the Notes directly to other purchasers or through agents. Such underwriters may include McDonald & Company, Inc. ("McDonald"), Tucker Anthony Incorporated ("Tucker Anthony"), J.C. Bradford & Co. ("Bradford"), Oppenheimer & Co., Inc. ("Oppenheimer") or may be a group of underwriters represented by one or more of McDonald, Tucker Anthony, Bradford, Oppenheimer or one or more other firms. Only underwriters named in the applicable Prospectus Supplement are deemed to be underwriters in connection with the Notes offered thereby.

The distribution of the Notes may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

In connection with the sale of the Notes, underwriters may receive compensation from the Company or from purchasers of the Notes for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the Notes may be deemed to be underwriters and any discounts or commissions received by them and any profit on the sale of the Notes by them may be deemed to be underwriting discounts and commissions under the Act. Any such underwriter or agent will be identified, and any such compensation will be described, in the applicable Prospectus Supplement.

Under agreements which may be entered into by the Company, underwriters, dealers and agents who participate in the distribution of the Notes may be entitled to indemnification by the Company against certain liabilities, including liabilities under the Act, or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof.

LEGAL MATTERS

Hutchins, Wheeler & Dittmar, A Professional Corporation, 101 Federal Street, Boston, Massachusetts, will render an opinion on the legality of the Notes being offered hereby. Bass, Berry & Sims PLC, 2700 First American Center, Nashville, Tennessee, will pass upon certain legal matters for the Underwriters. James Westra, a shareholder of Hutchins, Wheeler & Dittmar, is a Director of the Company. Mr. Westra owns 1,735 shares of the Company's common stock and has options to acquire another 7,512 shares.

EXPERTS

The consolidated financial statements of Litchfield Financial Corporation incorporated by reference in Litchfield Financial Corporation's Annual Report (Form 10-K) for the year ended December 31, 1997, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and incorporated herein by reference. Such financial statements are, and audited financial statements to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements (to the extent covered by consents filed with the Securities and Exchange Commission) given upon the authority of such firm as experts in accounting and auditing.

TABLE OF CONTENTS

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY OFFER OR SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

$100,000,000

[LITCHFIELD FINANCIAL CORP. LOGO]

NOTES

PROSPECTUS

JULY , 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION*

The expenses in connection with the issuance and distribution of the securities being registered hereby are estimated as follows:

Registration fee under Securities Act	$ 29,500
Legal fees and expenses	$ 75,000
Accounting fees and expenses	$ 35,000
Printing and engraving	$100,000
Trustees fees and expenses	$ 11,000
Miscellaneous	$ 9,500
Total	$260,000

* All amounts are estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 67 of Chapter 156B of the General Laws of the Commonwealth of Massachusetts provides as follows:

"Section 67. Indemnification of directors, officers, employees and other agents of a corporation, and persons who serve at its request as directors, officers, employees or other agents of another organization, or who serve at its request in any capacity with respect to any employee benefit plan, may be provided by it to whatever extent shall be specified in or authorized by (i) the articles of organization or (ii) a by-law adopted by the stockholders or (iii) a vote adopted by the holders of a majority of the shares of stock entitled to vote on the election of directors. Except as the articles of organization or by-laws otherwise require, indemnification of any persons referred to in the preceding sentence who are not directors of the corporation may be provided by it to the extent authorized by the directors. Such indemnification may include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification under this section which undertaking may be accepted without reference to the financial ability of such person to make repayment. Any such indemnification may be provided although the person to be indemnified is no longer an officer, director, employee or agent of the corporation or of such other organization or no longer serves with respect to any such employee benefit plan.

No indemnification shall be provided for any person with respect to any matter as to which he shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation or to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

The absence of any express provision for indemnification shall not limit any right of indemnification existing independently of this section.

A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or other agent of another organization or with respect to any employee benefit plan, against any liability incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability."

Article 7 of the Amended and Restated By-Laws of the Company provides that:

Each director and officer (and his heirs and personal representatives) shall be indemnified by the Company against any Expenses incurred by him in connection with any action, suit or proceeding, civil or criminal, brought or threatened in or before any court, tribunal, administrative or legislative body or agency in which he is involved as a result of his serving or having served as a director or officer, except as limited by law or with respect to a proceeding as to which it shall have been adjudicated that he did not act in good faith in the reasonable belief that his action was in the best interests of the Company. "Expense" means any fine or penalty, and any liability fixed by a judgment, order, decree or award in such a proceeding and any professional fees and other disbursements reasonably incurred in connection with such a proceeding.

Article Sixth of the Restated Articles of Organization of the Company provides that:

No Director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director notwithstanding any statutory provision or other law imposing such liability, except for liability of a Director (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section sixty-one or sixty-two of Chapter 156B of the Massachusetts General Laws, or (iv) for any transaction from which the Director derived an improper personal benefit.

The directors and officers of the Company are insured against liabilities which they incur in their capacity as such under policies of insurance carried by the Company.

ITEM 16. EXHIBITS

NUMBER	DESCRIPTION OF EXHIBIT
1.1	Form of Underwriting Agreement.
4.1	Indenture, dated as of July 15, 1998, between the Company and The Bank of New York, Trustee.
5.1	Opinion of Hutchins, Wheeler & Dittmar, A Professional Corporation.
12.1	Statement Re: Computation of Ratios.
23.1	Consent of Independent Auditors.
23.2	Consent of Hutchins, Wheeler & Dittmar, A Professional Corporation (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature page).
25.1	Form T-1, Statement of Eligibility of and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Trustee.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (1)(i) and (1)(ii) of this section do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended (the "Securities Act"), each filing of the registrant's annual report pursuant to
Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Boston, Commonwealth of Massachusetts, on the 15th day of July, 1998.

LITCHFIELD FINANCIAL CORPORATION

By: /s/ RICHARD A. STRATTON
Richard A. Stratton, President,
Chief Executive Officer and Director

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes Richard A. Stratton and Heather A. Sica, and each of them, with full power of substitution and full power to act without the other, his or her true and lawful attorney-in-fact and agent in his or her name, place and stead, to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Registration Statement, including any and all post-effective amendments, and any related Rule 462(b) Registration Statement and any amendments thereto.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ RICHARD A. STRATTON Richard A. Stratton	President, Chief Executive Officer, and Director	July 15, 1998
/s/ HEATHER A. SICA Heather A. Sica	Executive Vice President and Director	July 15, 1998
/s/ RONALD E. RABIDOU Ronald E. Rabidou	Chief Financial Officer and Treasurer	July 15, 1998
/s/ JOHN A. COSTA John A. Costa	Director	July 15, 1998
/s/ GERALD SEGEL Gerald Segel	Director	July 15, 1998
/s/ JAMES WESTRA James Westra	Director	July 15, 1998

EXHIBIT INDEX

NUMBER	DESCRIPTION OF EXHIBIT
1.1	Form of Underwriting Agreement.
4.1	Indenture, dated as of July 15, 1998, between the Company and The Bank of New York, Trustee.
5.1	Opinion of Hutchins, Wheeler & Dittmar, A Professional Corporation.
12.1	Statement Re: Computation of Ratios.
23.1	Consent of Independent Auditors.
23.2	Consent of Hutchins, Wheeler & Dittmar, A Professional Corporation (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature page).
25.1	Form T-1, Statement of Eligibility of and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Trustee.

EXHIBIT 1.1

LITCHFIELD FINANCIAL CORPORATION

$_____

_____% NOTES DUE _____

UNDERWRITING AGREEMENT

Ladies and Gentlemen:

Litchfield Financial Corporation, a Massachusetts corporation (the "Company"), proposes to sell to the underwriters named in Schedule I hereto (the "Underwriters") for whom you are acting as the representatives (the "Representatives") an aggregate $_____ principal amount of its _____% Notes Due _____ (the "Notes"). The Notes are to be sold to the Underwriters, acting severally and not jointly, in such amounts as are set forth in Schedule I hereto opposite the name of such Underwriter. The Notes are to be issued pursuant to an Indenture, to be dated as of _____, between the Company and The Bank of New York, as trustee (the "Trustee"), as amended and supplemented by a supplemental indenture to be dated as of _____. Such Indenture, as amended and supplemented, is herein referred to as the "Indenture."

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), a

registration statement on Form S-3 (Registration No. 333-_____), including the related preliminary prospectus, preliminary prospectus supplement and a Form T-1 pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), has filed such amendments thereto, if any, and such amended preliminary prospectuses and amended preliminary prospectus supplements as may have been required to the date hereof, and will file such additional amendments thereto and such amended prospectuses and prospectus supplements as may hereafter be required, relating to the Notes. Copies of such registration statement and any amendments, including any post-effective amendments, and all forms of the related prospectuses and prospectus supplements contained therein and any supplements thereto, have been delivered to you. Such registration statement, including the prospectus, prospectus supplement, Part II, all financial schedules and exhibits thereto, all information incorporated by reference thereto, and all information deemed to be a part of such Registration Statement pursuant to Rule 430A under the Securities Act, as amended at the time when it shall become effective, is herein referred to as the "Registration Statement," and the prospectus and prospectus supplement used in connection with the offer and sale of the Notes included as part of the Registration Statement on file with the Commission that discloses all the information that was omitted from the prospectus on the effective date pursuant to Rule 430A of the Rules and Regulations (as defined below) and in the form filed pursuant to Rule 424(b) under the Securities Act is herein referred to as the "Final Prospectus." The prospectus and prospectus supplement used in connection with the offer and sale of the Notes included as part of the Registration Statement on the date when the Registration Statement became effective is referred to herein as the "Effective Prospectus." Any prospectus and prospectus supplement used in connection with the offer and sale of the Notes included in the Registration Statement and in any amendment thereto prior to the date the Notes are first offered to the public is referred to herein as a "Preliminary Prospectus." For purposes of this Agreement, "Rules and Regulations" mean the rules and regulations promulgated by the Commission under either the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Trust Indenture Act, as applicable.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus, and each Preliminary Prospectus, at the time of filing thereof, complied with the requirements of the Securities Act and the Rules and Regulations, and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing does not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use therein (it being understood that the only information so provided is the information included in the first sentence of the last paragraph on the cover page and in the fourth and fifth paragraphs under the caption "Underwriting" in the Final Prospectus). When the Registration Statement becomes effective and at all times subsequent thereto up to and including the Closing Date (as hereinafter defined), (i) the Registration Statement, the Effective Prospectus and Final Prospectus and any amendments or supplements thereto will contain all statements which are required to be stated therein in accordance with the Securities Act, the Exchange Act, the

Trust Indenture Act and the Rules and Regulations and will comply with the requirements of the Securities Act, the Exchange Act, the Trust Indenture Act and the Rules and Regulations, and (ii) neither the Registration Statement, the Effective Prospectus nor the Final Prospectus nor any amendment or supplement thereto will include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading; except that the foregoing does not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use therein (it being understood that the only information so provided is the information included in the first sentence of the last paragraph on the cover page and in the fourth and fifth paragraphs under the caption "Underwriting" in the Final Prospectus) or information contained in the Form T-1 of the Trustee other than information furnished to the Trustee by the Company specifically for inclusion therein.

(c) The Company and each subsidiary of the Company (as used herein, the term "subsidiary" includes any corporation, joint venture or partnership in which the Company or any subsidiary of the Company has an ownership interest) is duly organized and validly existing and in good standing under the laws of the respective jurisdictions of their organization or incorporation, as the case may be, with full power and authority (corporate, partnership and other, as the case may be) to own their properties and conduct their businesses as now conducted and are duly qualified or authorized to do business and are in good standing in all jurisdictions wherein the nature of their business or the character of property owned or leased may require them to be qualified or authorized to do business, except for jurisdictions in which the failure to so qualify would not have a material adverse effect on the Company and its subsidiaries taken as a whole. The Company and its subsidiaries hold all licenses, consents and approvals, and have satisfied all eligibility and other similar requirements imposed by federal and state regulatory bodies, administrative agencies or other governmental bodies, agencies or officials, in each case as material to the conduct of the respective businesses in which they are engaged in the Effective Prospectus and the Final Prospectus.

(d) The outstanding stock of each of the Company's corporate subsidiaries is duly authorized, validly issued, fully paid and nonassessable. All of the outstanding stock of each of the Company's corporate subsidiaries is owned by the Company, clear of any lien, encumbrance, pledge, equity or claim of any kind. Neither the Company nor any of its subsidiaries is a partner or joint venturer in any partnership or joint venture.

(e) The Notes have been duly and validly authorized and, when executed and authenticated in accordance with the Indenture and delivered and paid for by the Underwriters pursuant to this Agreement, will constitute legal, valid and binding obligations of the Company, entitled to the benefits of the Indenture, and will conform in all material respects to the description thereof contained in the Effective Prospectus and the Final Prospectus.

(f) The Company has full legal right, power and authority to enter into this Agreement and the Indenture and to sell and deliver the Notes to the Underwriters as provided herein, and this Agreement and the Indenture have been duly authorized, executed and delivered by the Company and constitute valid and binding agreements of the Company enforceable against the Company in accordance with their terms. The Indenture conforms in all material respects to the requirements of and has been qualified under the Trust Indenture Act. No consent, approval, authorization or order of any court or governmental agency or body or third party is required for the performance of this Agreement or the Indenture by the Company or the consummation by the Company of the transactions contemplated hereby or thereby, except such as have been obtained and such as may be required by the National Association of Securities Dealers, Inc. or under the Securities Act, the Trust Indenture Act or state securities or Blue Sky laws in connection with the purchase and distribution of the Notes by the Underwriters. The issue and sale of the Notes by the Company, the Company's performance of this Agreement and the Indenture and the consummation of the transactions contemplated hereby or thereby will not result in a breach or violation of, or conflict with, any of the terms and provisions of, or constitute a default by the Company or any of its subsidiaries under, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or to which the Company or any of its subsidiaries or any of their respective properties is subject, the Articles of Organization or bylaws of the Company or any of its subsidiaries or any statute or any judgment, decree, order, rule or regulation of any court or governmental agency or body applicable to the Company, or any subsidiary or any of their respective properties. Neither the Company nor any subsidiary is in violation of its Articles of Organization, partnership agreement or joint venture agreement, as the case may be, or bylaws or any law, administrative rule or regulation or arbitrator's or administrative or court decree, judgment or order or in violation or default (there being no existing state of facts which with notice or lapse of time or both would constitute a default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, deed of trust, mortgage, loan agreement, note, lease, agreement or other instrument or permit to which it is a party or by which it or any of its properties is or may be bound.

(g) The consolidated financial statements and the related notes of the Company included in the Registration Statement, the Effective Prospectus and the Final Prospectus present fairly the financial position, results of operations and changes in financial position and cash flow of the Company and its subsidiaries, at the dates and for the periods to which they relate and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated. The other financial statements and schedules included in or as schedules to the Registration Statement conform to the requirements of the Securities Act, the Exchange Act and the Rules and Regulations and present fairly the information presented therein for the periods shown. The financial and statistical data set forth in the Effective Prospectus and the Final Prospectus under the captions "Prospectus Summary," "Use of Proceeds," "Capitalization," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Principal Stockholders" fairly presents the

information set forth therein on the basis stated in the Effective Prospectus and the Final Prospectus. Ernst & Young, whose reports appear or are incorporated by reference in the Effective Prospectus and the Final Prospectus, are independent accountants as required by the Securities Act and the Rules and Regulations.

(h) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, _____, and its Quarterly Reports filed on Form 10-Q for the quarters ended _____, and its current reports filed on Form 8-K dated _____, respectively, at the time of filing with the Commission, conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable and the Rules and Regulations and none of such documents or statements contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) Subsequent to December 31, _____, neither the Company nor any subsidiary has sustained any material loss or interference with its business or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, which is not disclosed or incorporated by reference in the Effective Prospectus and the Final Prospectus; and subsequent to the respective dates as of which information is given in the Registration Statement, the Effective Prospectus and the Final Prospectus, (i) neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions not in the ordinary course of business, and (ii) there has not been any change in the capital stock, partnership interests, joint venture interests, long-term debt, obligations under capital leases or short-term borrowings of the Company and its subsidiaries or any issuance of options, warrants or rights to purchase the capital stock of the Company, or any adverse change, or any development involving a prospective adverse change, in the general affairs, management, business, prospects, financial position, net worth or results of operations of the Company or its subsidiaries, except in each case as described or incorporated by reference in or contemplated by the Effective Prospectus and the Final Prospectus.

(j) Except as described or incorporated by reference in the Effective Prospectus and the Final Prospectus, there is not pending, or to the knowledge of the Company threatened, any action, suit, proceeding, inquiry or investigation, to which the Company, any of its subsidiaries or any of their officers or directors is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, wherein an unfavorable decision, ruling or finding could prevent or materially hinder the consummation of this Agreement or result in a material adverse change in the business condition (financial or other), prospects, financial position, net worth or results of operations of the Company or its subsidiaries.

(k) There are no contracts or other documents required by the Securities Act or by the Rules and Regulations to be described or incorporated by reference in the Registration Statement, the Effective Prospectus or the Final Prospectus or to be filed as exhibits to the Registration Statement which have not been described, incorporated by reference or filed as required.

(l) Except as described or incorporated by reference in the Effective Prospectus and the Final Prospectus, the Company and each of its subsidiaries have good and marketable title to all real and material personal property owned by them, free and clear of all liens, charges, encumbrances or defects except those reflected in the financial statements hereinabove described. The real and personal property and buildings referred to in the Effective Prospectus and the Final Prospectus which are leased from others by the Company are held under valid, subsisting and enforceable leases. The Company or its subsidiaries owns or leases all such properties as are necessary to its operations as now conducted.

(m) The Company's system of internal accounting controls taken as a whole is sufficient to meet the broad objectives of internal accounting control insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Company's financial statements; and, except as disclosed in the Effective Prospectus and the Final Prospectus, neither the Company nor any of its subsidiaries nor any employee or agent of the Company or any subsidiary has made any payment of funds of the Company or any subsidiary or received or retained any funds in violation of any law, rule or regulation.

(n) The Company and its subsidiaries have filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and have paid all taxes shown as due therefrom; and there is no tax deficiency that has been, nor does the Company or any subsidiary have knowledge of any tax deficiency which is likely to be, asserted against the Company or its subsidiaries, which if determined adversely could materially and adversely affect the earnings, assets, affairs, business prospects or condition (financial or other) of the Company or its subsidiaries.

(o) The Company and its subsidiaries operate their business in conformity in all material respects with all applicable statutes, common laws, ordinances, decrees, orders, rules and regulations of governmental bodies. The Company and its subsidiaries have all licenses, approvals or consents to operate their respective business in all locations in which such businesses are currently being operated, and the Company and its subsidiaries are not aware of any existing or imminent matter which may adversely impact their operations or business prospects other than as specifically disclosed in the Effective Prospectus and the Final Prospectus. The Company has not engaged in any activity, whether alone or in concert with one of its customers, creating the potential for exposure to material civil or criminal monetary liability or other material sanctions under federal or state laws regulating consumer credit transactions, debt collection practices or land sales practices.

(p) Neither the Company nor any of its subsidiaries have failed to file with the applicable regulatory authorities any statement, report, information or form required by any applicable law, regulation or order where the failure to file the same would have a material adverse effect on the Company and its subsidiaries, taken as a whole; all such filings or submissions were in material compliance with applicable laws when filed and no deficiencies have been asserted by any regulatory commission, agency or authority with respect to such filings or submissions. Neither the Company nor any of its subsidiaries have failed to maintain in full force and effect any license or permit necessary or proper for the conduct of its business, or received any notification that any revocation or limitation thereof is threatened or pending, and, except as disclosed in the Effective Prospectus and the Final Prospectus, there is not pending any change under any law, regulation, license or permit which could materially adversely affect its business, operations, property or business prospects. Neither the Company nor any of its subsidiaries have received any notice of violation of or been threatened with a charge of violating and are not under investigation with respect to a possible violation of any provision of any law, regulation or order.

(q) No labor dispute exists with the Company's employees or with employees of its subsidiaries or is imminent which could materially adversely affect the Company or any of its subsidiaries. The Company is not aware of any existing or imminent labor disturbance by its employees or by any employees of its subsidiaries which could be expected to materially adversely effect the condition (financial or otherwise), results of operations, properties, affairs, management, business affairs or business prospects of the Company or any of its subsidiaries.

(r) Except as disclosed in the Effective Prospectus and the Final Prospectus, the Company and its subsidiaries own or possess, or can acquire on reasonable terms, the licenses, copyrights, trademarks, service marks and trade names presently employed by them in connection with the businesses now operated by them, and neither the Company nor any of its subsidiaries have received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, alone or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or its subsidiaries.

(s) The Company has not taken, directly or indirectly, any action designed, or which might reasonably be expected to cause or result in, or which will constitute, stabilization or manipulation of the price of the Notes to facilitate the sale of the Notes, and the Company is not aware of any such action taken or to be taken by any affiliates of the Company.

2. PURCHASE, SALE AND DELIVERY OF THE NOTES.

(a) On the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein set forth, the Company agrees

to sell to each of the Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase at a purchase price of $_____ per each $1,000 principal amount, the number of Notes set forth opposite such Underwriter's name in Schedule I hereto.

(b) Certificates in definitive form for the Notes which each Underwriter has agreed to purchase hereunder shall be delivered by or on behalf of the Company to the Underwriters for the account of such Underwriter against payment by such Underwriter or on its behalf of the purchase price therefor by same day funds due to the order of the Company, at the offices of _____, or at such other place as may be agreed upon by _____ and the Company, at 10:00 A.M., _____ time, on the third full business day after this Agreement becomes effective, or at such other time not later than the seventh full business day thereafter as the Representatives and the Company may determine, such time of delivery against payment being herein referred to as the "Closing Date." The Notes to be delivered will be in such denominations and registered in such names as _____ may request not less than 48 hours prior to the Closing Date. It is understood that you may (but shall not be obligated to) make payment on behalf of any Underwriter or Underwriters for the Notes to be purchased by such Underwriter or Underwriters. No such payment shall relieve such Underwriter or Underwriters from any of its or their obligations hereunder.

3. OFFERING BY THE UNDERWRITERS. After the Registration Statement becomes effective, the several Underwriters propose to offer for sale to the public the Notes at the price and upon the terms set forth in the Final Prospectus.

4. COVENANTS OF THE COMPANY. The Company covenants and agrees with each of the Underwriters that:

(a) The Company shall comply with the provisions of and make all requisite filings with the Commission pursuant to Rules 424 and 430A of the Rules and Regulations and to notify you promptly (in writing, if requested) of all such filings. The Company shall notify you promptly of any request by the Commission for any amendment of or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus or for additional information; the Company shall prepare and file with the Commission, promptly upon your request, any amendments of or supplements to the Registration Statement, the Effective Prospectus or the Final Prospectus which, in your opinion, may be necessary or advisable in connection with the distribution of the Notes; and the Company shall not file any amendment of or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus which is not approved by you after reasonable notice thereof. The Company shall advise you promptly of the issuance by the Commission or any jurisdiction or other regulatory body of any stop order or other order suspending the effectiveness of the Registration Statement, suspending or preventing the use of any Preliminary Prospectus, the Effective Prospectus or the Final Prospectus or suspending the qualification of the Notes for offering or sale in any jurisdiction, or of the institution of any proceedings for any such purpose; and the Company shall use its best efforts to prevent the issuance of any stop order or other such

order and, should a stop order or other such order be issued, to obtain as soon as possible the lifting thereof.

(b) The Company will take or cause to be taken all necessary action and furnish to whomever you direct such information as may be reasonably required in qualifying the Notes for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Underwriters may designate (which shall not include the State of New York unless the Company otherwise requests) and will continue such qualifications in effect for as long as may be reasonably necessary to complete the distribution. The Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation.

(c) Within the time during which a Final Prospectus relating to the Notes is required to be delivered under the Securities Act, the Company shall comply with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as is necessary to permit the continuance of sales of or dealings in the Notes as contemplated by the provisions hereof and the Final Prospectus. If during such period any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Final Prospectus to comply with the Securities Act, the Company shall promptly notify you and shall amend the Registration Statement or supplement the Final Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(d) The Company will furnish without charge to the Representatives and make available to the Underwriters copies of the Registration Statement (four of which shall be signed and shall be accompanied by all exhibits, including any which are incorporated by reference, which have not previously been furnished), each Preliminary Prospectus, the Effective Prospectus and the Final Prospectus, and all amendments and supplements thereto, including any prospectus or supplement prepared after the effective date of the Registration Statement, in each case as soon as available and in such quantities as the Underwriters may reasonably request. The Company will deliver to each Underwriter a copy of each document incorporated by reference in the effective Prospectus and the Final Prospectus which has not previously been furnished.

(e) The Company will (i) deliver to you at such office or offices as you may designate as many copies of the Preliminary Prospectus and Final Prospectus as you may reasonably request, and (ii) for a period of not more than nine months after the Registration Statement becomes effective, send to the Underwriters as many additional copies of the Final Prospectus and any supplement thereto as you may reasonably request.

(f) The Company shall make generally available to its security holders, in the manner contemplated by Rule 158(b) under the Securities Act as promptly as practicable and in any event no later than 90 days after the end of its fiscal quarter in which the first anniversary of the effective date of the Registration Statement occurs, an earning statement satisfying the provisions of Section 11(a) of the Securities Act covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement.

(g) The Company will apply the net proceeds from the sale of the Notes as set forth under the caption "Use of Proceeds" in the Final Prospectus.

(h) During a period of five years from the effective date of the Registration Statement, the Company will furnish to the Representatives copies of all reports and other communications (financial or other) furnished by the Company to its shareholders and, as soon as available, copies of any reports or financial statements furnished or filed by the Company to or with the Commission or any national securities exchange on which any class of securities of the Company may be listed.

(i) The Company will not at any time, directly or indirectly, take any action designed, or which might reasonably be expected to cause or result in, or which will constitute, stabilization or manipulation of the price of the Notes to facilitate the sale or resale of any of the Notes. The Company will not make bids for or purchases of or induce bids for or purchases of, directly or indirectly, any Notes until the distribution of all Notes has been completed.

5. EXPENSES. The Company agrees with the Underwriters that (a) whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, the Company will pay all fees and expenses incident to the performance of the obligations of the Company hereunder, including, but not limited to, (i) the Commission's registration fee, (ii) the expenses of printing (or reproduction) and distributing the Registration Statement (including the financial statements therein and all amendments and exhibits thereto), each Preliminary Prospectus, the Effective Prospectus, the Final Prospectus, any amendments or supplements thereto, and this Agreement and other underwriting documents, including Underwriter's Questionnaires, Underwriter's Powers of Attorney, Blue Sky Memoranda and Agreements Among Underwriters, (iii) fees and expenses of accountants and counsel for the Company, (iv) expenses of registration or qualification of the Notes under state Blue Sky and securities laws, including the fees and disbursements of counsel to the Underwriters in connection therewith, (v) filing fees paid or incurred by the Underwriters and related fees and expenses of counsel to the Underwriters in connection with filings with the National Association of Securities Dealers, Inc. ("NASD"), (vi) all travel, lodging and reasonable living expenses incurred by the Company in connection with marketing, dealer and other meetings attended by the Company and the Underwriters in marketing the Notes, (vii) the costs and charges of the Company's transfer agent, registrar, paying agent, and redemption agent, and the cost of preparing the certificates for the Notes, (viii) the fees and expenses of the Trustee in connection with the Indenture and the Notes, and (ix) all other costs and expenses incident to the performance of their obligations hereunder not otherwise provided for in this Section; and (b) all out-of-pocket

expenses, including counsel fees, disbursements and expenses, incurred by the Underwriters in connection with investigating, preparing to market and marketing the Notes and proposing to purchase and purchasing the Notes under this Agreement, will be borne and paid by the Company if the sale of the Notes provided for herein is not consummated by reason of the termination of this Agreement by the Company pursuant to Section 12(a)(i), or because of any failure or refusal on the part of the Company to comply with the terms or fulfill any of the conditions of this Agreement. Except as provided in this Section 5, the Underwriters shall pay all of their own expenses.

6. CONDITIONS OF THE UNDERWRITERS' OBLIGATIONS. The respective obligations of the Underwriters to purchase and pay for the Notes shall be subject, in their discretion, to the accuracy of the representations and warranties of the Company herein as of the date hereof and as of the Closing Date as if made on and as of the Closing Date, to the accuracy of the statements of the Company's officers made pursuant to the provisions hereof, to the performance by the Company of all of their covenants and agreements hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective not later than 5:30 P.M., Washington, D.C. time, on the day following the date of this Agreement, or such later time and date as shall have been consented to by the Representatives and all filings required by Rule 424, Rule 430A and Rule 462 of the Rules and Regulations shall have been made; no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened or, to the knowledge of the Company or the Underwriters, shall be contemplated by the Commission; any request of the Commission for additional information (to be included in the Registration Statement or the Final Prospectus or otherwise) shall have been complied with to your satisfaction; and the NASD, upon review of the terms of the public offering of the Notes, shall not have objected to such offering, such terms or the Underwriters' participation in the same.

(b) No Underwriter shall have advised the Company that the Registration Statement, Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or any supplement thereto, contains an untrue statement of fact which, in your judgment, is material, or omits to state a fact which, in your judgment, is material and is required to be stated therein or necessary to make the statements therein not misleading and the Company shall not have cured such untrue statement of fact or stated a statement of fact required to be stated therein.

(c) The Representatives shall have received an opinion, dated the Closing Date, from Hutchins, Wheeler & Dittmar, counsel for the Company, substantially to the effect that:

(i) The Company is validly existing in good standing as a corporation under the laws of the Commonwealth of Massachusetts, with corporate power and authority to own its properties and conduct its business as now conducted, and is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions where the failure to so qualify

would have a material adverse effect upon the Company and its subsidiaries taken as a whole. The Company holds all licenses, certificates, permits, franchises and authorizations from governmental authorities which are material to the conduct of its business in all locations in which such business is currently being conducted.

(ii) Each of the Company's subsidiaries is validly existing and in good standing under the laws of the state of its incorporation or organization, as the case may be, with power and authority to own its properties and conduct its business as now conducted, and is duly qualified or authorized to do business and is in good standing in all other jurisdictions where the failure to so qualify would have a material adverse effect upon the business of the Company and its subsidiaries taken as a whole. The outstanding stock of each of the Company's subsidiaries is duly authorized, validly issued, fully paid and nonassessable. All of the outstanding stock of each of the corporate subsidiaries is owned beneficially and of record by the Company, free and clear of all liens, encumbrances, equities and claims. No options or warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or of ownership interests in any of the Company's subsidiaries are outstanding. Each of the Company's subsidiaries holds all licenses, certificates, permits, franchises and authorizations from governmental authorities which are material to the conduct of its business in all locations in which such business is currently being conducted.

(iii) The Indenture has been duly authorized, executed and delivered, and constitutes a legal, valid and binding instrument enforceable against the Company in accordance with its terms, except as enforceability may be limited by general equitable principles, bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, fraudulent conveyance or other laws affecting creditors' rights generally. The Indenture has been qualified under the Trust Indenture Act. The Notes have been duly and validly authorized and when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters as provided herein will constitute legal, valid and binding obligations of the Company, entitled to the benefits of the Indenture, and conformed to the description thereof contained in the Effective Prospectus and the Final Prospectus.

(iv) No consent, approval, authorization or order of any court or governmental agency or body or third party is required for the performance of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except such as have been obtained under the Securities Act and such as may be required by the NASD and under state securities or Blue Sky laws in connection with the purchase and distribution of the Notes by the several Underwriters. The performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby will not conflict with or result in a breach or violation by the Company of any of the terms or provisions of, or constitute a default by the Company under, any indenture, mortgage,

deed of trust, loan agreement, lease or other agreement or instrument known to such counsel to which the Company is a party or to which the Company or its properties is subject, the Articles of Organization or bylaws of the Company, any statute, or any judgment, decree, order, rule or regulation known to such counsel of any court or governmental agency or body applicable to the Company or any of its subsidiaries or their properties.

(v) The Company has full legal right, power and authority to enter into this Agreement and the Indenture and to issue, sell and deliver the Notes to be sold by it to the Underwriters as provided herein, and this Agreement has been duly authorized, executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by general equitable principles, bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, fraudulent conveyance or other laws affecting creditors' rights generally.

(vi) Except as described in the Final Prospectus, there is not pending, or to the best knowledge of such counsel threatened, any action, suit, proceeding, inquiry or investigation, to which the Company or any of its subsidiaries is a party, or to which the property of the Company or any of its subsidiaries is subject, before or brought by any court or governmental agency or body, which, if determined adversely to the Company or any of its subsidiaries, could result in any material adverse change in the business, financial position, net worth or results of operations, or could materially adversely affect the properties or assets, of the Company or any of its subsidiaries.

(vii) To the best knowledge of such counsel, no default exists, and no event has occurred which with notice or after the lapse of time to cure or both, would constitute a default, in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, loan agreement, lease or other material agreement or instrument to which the Company or any of its subsidiaries is a party or to which they or their properties are subject, or of the Articles of Organization or bylaws of the Company or any of its subsidiaries.

(viii) The statements under the captions "Business -- Regulation" and "Business -- Legal Proceedings" in the Company's most recent Annual Report on Form 10-K filed with the Commission, insofar as such statements constitute summaries of the legal matters, documents and proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein in all material respects.

(ix) The Registration Statement and all post effective amendments thereto have become effective under the Securities Act, and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration

Statement has been issued and no proceedings for that purpose have been instituted or are threatened, pending or contemplated by the Commission. All filings required by Rule 424, Rule 430A and Rule 462 of the Rules and Regulations have been made; the Registration Statement, the Effective Prospectus and Final Prospectus, and any amendments or supplements thereto (except for the financial statements and schedules included therein as to which such counsel need express no opinion), as of their respective effective or issue dates, complied as to form in all material respects with the requirements of the Securities Act and the Rules and Regulations; the descriptions in the Registration Statement, the Effective Prospectus and the Final Prospectus of statutes, regulations, legal and governmental proceedings, and contracts and other documents are accurate in all material respects and present fairly the information required to be stated; and such counsel does not know of any pending or threatened legal or governmental proceedings, statutes or regulations required to be described in the Final Prospectus which are not described as required nor of any contracts or documents of a character required to be described in the Registration Statement or the Final Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required.

(x) The information in the Effective Prospectus and the Final Prospectus under the caption "Description of the Notes," insofar as it purports to summarize the provisions of the Notes, is correct in all material respects.

In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that the Registration Statement, the Effective Prospectus and the Final Prospectus or any amendment or supplement thereto contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (except that such counsel need express no view as to financial statements, schedules and other financial information included therein).

(d) The Underwriters shall have received an opinion or opinions, dated the Closing Date, of Bass, Berry & Sims PLC, counsel for the Underwriters, with respect to the Registration Statement and the Final Prospectus, and such other related matters as the Underwriters may require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters. Such counsel may rely on Hutchins, Wheeler & Dittmar as to matters of Massachusetts law.

(e) The Representatives shall have received from Ernst & Young, a letter dated the date hereof and, at the Closing Date, a second letter dated the Closing Date, in form and substance satisfactory to the Representatives, stating that they are independent public accountants with respect to the Company and its subsidiaries within the meaning of the Securities Act and the applicable Rules and Regulations, and to the effect that:

(i) In their opinion, the financial statements and schedules examined by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published Rules and Regulations and are presented in accordance with generally accepted accounting principles; and they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the consolidated interim financial statements, selected financial data, and/or condensed financial statements derived from audited financial statements of the Company;

(ii) On the basis of a reading of the latest available interim consolidated financial statements (unaudited) of the Company and its subsidiaries, a reading of the minute books of the Company and its subsidiaries, inquiries of officials of the Company responsible for financial and accounting matters and other specified procedures, all of which have been agreed to by the Representatives, nothing came to their attention that caused them to believe that:

(A) the unaudited financial statements included in the Registration Statement do not comply as to form in all material respects with the accounting requirements of the federal securities laws and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with the basis for the audited financial statements contained in the Registration Statement;

(B) any other unaudited financial statement data included or incorporated by reference in the Final Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which data was derived and any such unaudited data were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited financial statements included in the Prospectus;

(C) at a specified date not more than five days prior to the date of delivery of such respective letter, there was any change in the consolidated capital stock, decline in stockholders' equity or increase in long-term debt of the Company and its subsidiaries, or other items specified by the Underwriters in each case as compared with amounts shown in the latest balance sheets included in the Final Prospectus, except in each case for changes, decreases or increases which the Final Prospectus discloses have occurred or may occur or which are described in such letters; and

(D) for the period from the closing date of the latest consolidated statements of income included in the Effective Prospectus and the Final Prospectus to a specified date not more than five days prior to the

date of delivery of such respective letter, there were any decreases in total revenues or net income of the Company, or other items specified by the Underwriters, or any increases in any items specified by the Underwriters, in each case as compared with the corresponding period of the preceding year, except in each case for decreases which the Final Prospectus discloses have occurred or may occur or which are described in such letter.

(iii) They have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information specified by you which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Effective Prospectus and the Final Prospectus and have compared and agreed such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries or to analyses and schedules prepared by the Company and its subsidiaries from its detailed accounting records.

In the event that the letters to be delivered referred to above set forth any such changes, decreases or increases, it shall be a further condition to the obligations of the Underwriters that the Underwriters shall have determined, after discussions with officers of the Company responsible for financial and accounting matters and with Ernst & Young, that such changes, decreases or increases as are set forth in such letters do not reflect a material adverse change in the stockholders' equity or long-term debt of the Company as compared with the amounts shown in the latest consolidated balance sheets of the Company included in the Final Prospectus, or a material adverse change in total revenues or net income, of the Company, in each case as compared with the corresponding period of the prior year.

(f) There shall have been furnished to you a certificate, dated the Closing Date and addressed to you, signed by the Chief Executive Officer and by the Chief Financial Officer of the Company to the effect that:

(i) the representations and warranties of the Company in Section 1 of this Agreement are true and correct, as if made at and as of the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been initiated or are pending, or to their knowledge, threatened under the Securities Act;

(iii) all filings required by Rule 424, Rule 430A and Rule 462 of the Rules and Regulations have been made;

(iv) they have carefully examined the Registration Statement, the Effective Prospectus and the Final Prospectus, and any amendments or supplements

thereto, and such documents do not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and

(v) since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amendment or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus which has not been so set forth.

(g) Subsequent to the respective dates as of which information is given in the Registration Statement and the Final Prospectus, and except as stated therein, the Company and its subsidiaries have not sustained any material loss or interference with their respective businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any court or governmental action, order or decree, or become a party to or the subject of any litigation which is material to the Company and its subsidiaries taken as a whole, nor shall there have been any material adverse change, or any development involving a prospective material adverse change, in the business, properties, key personnel, capitalization, net worth results of operations or condition (financial or other) of the Company and its subsidiaries taken as a whole, which loss, interference, litigation or change, in your judgment shall render it unadvisable to commence or continue the offering of the Notes at the offering price to the public set forth on the cover page of the Prospectus or to proceed with the delivery of the Notes.

All such opinions, certificates, letters and documents delivered pursuant to this Agreement will comply with the provisions hereof only if they are reasonably satisfactory to the Representatives and its counsel. The Company shall furnish to the Representatives such conformed copies of such opinions, certificates, letters and documents in such quantities as the Representatives shall reasonably request.

7. CONDITION OF THE COMPANY'S OBLIGATIONS. The obligations hereunder of the Company are subject to the condition set forth in Section 6(a) hereof.

8. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter, and each person, if any, who controls any Underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based in whole or in part upon (i) any inaccuracy in the representations and warranties of the Company contained herein, (ii) any failure of the Company to perform its obligations hereunder or under law or (iii) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, or in any

Blue Sky application or other written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Notes under the securities laws thereof (a "Blue Sky Application"), or arise out of or are based upon the omission or alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus or any amendment or supplement thereto or any Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Preliminary Prospectus, the Effective Prospectus or Final Prospectus or such amendment or such supplement or any Blue Sky Application in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use therein (it being understood that the only information so provided is the information included in the last sentence of the first paragraph on the cover page and in the fourth and fifth paragraphs under the caption "Underwriting" in any Preliminary Prospectus and the Final Prospectus and the Effective Prospectus).

(b) Each Underwriter will indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, or any Blue Sky Application, or arise out of or are based upon the omission or the alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus or any amendment or supplement thereto or any Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use therein (it being understood that the only information so provided is the information included in the last sentence of the first paragraph on the cover page and in the fourth and fifth paragraphs under the caption "Underwriting" in any Preliminary Prospectus and in the Effective Prospectus and the Final Prospectus);

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, including governmental proceedings, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this

Section 8 notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 8. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; and after notice from the indemnifying party to such indemnified party of its election to so assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation except that the indemnified party shall have the right to employ separate counsel if, in its reasonable judgment, it is advisable for the indemnified party and any other Underwriter to be represented by separate counsel, and in that event the fees and expenses of separate counsel shall be paid by the indemnifying party. The Company shall not, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which the Company reasonably believes any Underwriter may seek indemnification hereunder (whether or not such Underwriter is a party of such action or claim), unless such settlement, compromise or consent includes an unconditional release of such Underwriter from all liability arising out of such action or claim (or related cause of action or portion thereof).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in the preceding part of this Section 8 is for any reason held to be unavailable to the Underwriters or the Company or is insufficient to hold harmless an indemnified party, then the Company shall contribute to the damages paid by the Underwriters, and the Underwriters shall contribute to the damages paid by the Company provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, there shall be considered the relative benefits received by each party from the offering of the Notes (taking into account the portion of the proceeds of the offering realized by each), the parties' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances. The Company and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose). No Underwriter or person controlling such Underwriter shall be obligated to make contribution hereunder which in the aggregate exceeds the underwriting discount applicable to the Notes purchased by such Underwriter under this Agreement, less the aggregate amount of any damages which such Underwriter and its controlling persons have otherwise been required to pay in respect of the same or any similar claim. The Underwriters' obligations to

contribute hereunder are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of
Section 15 of the Securities Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of
Section 15 of the Securities Act, shall have the same rights to contribution as the Company.

9. DEFAULT OF UNDERWRITERS. If any Underwriter defaults in its obligation to purchase Notes hereunder and if the total amount of Notes which such defaulting Underwriter agreed but failed to purchase is ten percent or less of the total amount of Notes to be sold hereunder, the non-defaulting Underwriters shall be obligated severally to purchase (in the respective proportions which the amount of Notes set forth opposite the name of each non-defaulting Underwriter in Schedule I hereto bears to the total amount of Notes set forth opposite the names of all the non-defaulting Underwriters), the Notes which such defaulting Underwriter or Underwriters agreed but failed to purchase. If any Underwriter so defaults and the total amount of Notes with respect to which such default or defaults occur is more than ten percent of the total amount of Notes to be sold hereunder, and arrangements satisfactory to the other Underwriters and the Company for the purchase of such Notes by other persons (who may include the non-defaulting Underwriters) are not made within 36 hours after such default, this Agreement, insofar as it relates to the sale of the Notes, will terminate without liability on the part of the non-defaulting Underwriters or the Company except for (i) the provisions of Section 8 hereof, and (ii) the expenses to be paid or reimbursed by the Company pursuant to
Section 5. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section 9. Nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. SURVIVAL CLAUSE. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company, its officers and the Underwriters set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company, any of its officers or directors, any Underwriter or any controlling person, (ii) any termination of this Agreement and (iii) delivery of and payment for the Notes.

11. EFFECTIVE DATE. This Agreement shall become effective at whichever of the following times shall first occur after execution of this Agreement: (i) at 11:30 A.M., Washington, D.C. time, on the next full business day following the date on which the Registration Statement becomes effective or
(ii) at such time after the Registration Statement has become effective as the Representatives shall release the Notes for sale to the public; provided, however, that the provisions of Sections 5, 8, 10 and 11 hereof shall at all times be effective. For purposes of this Section 11, the Notes shall be deemed to have been so released upon the release by the Representatives for publication, at any time after the Registration Statement has become effective, of any newspaper advertisement relating to the Notes or upon the release by the Representatives of telegrams offering the Notes for sale to securities dealers, whichever may occur first.

12. TERMINATION.

(a) The Company's obligations under this Agreement may be terminated by the Company by notice to the Representatives (i) at any time before it becomes effective in accordance with Section 11 hereof, or (ii) in the event that the condition set forth in Section 7 shall not have been satisfied at or prior to the Closing Date.

(b) This Agreement may be terminated by the Representatives by notice to the Company (i) at any time before it becomes effective in accordance with Section 11 hereof; (ii) in the event that at or prior to the Closing Date the Company shall have failed, refused or been unable to perform any agreement on the part of the Company to be performed hereunder or any other condition to the obligations of the Underwriters hereunder is not fulfilled; (iii) if at or prior to the Closing Date trading in securities on the New York Stock Exchange, the American Stock Exchange or the over-the-counter market shall have been suspended or materially limited or minimum or maximum prices shall have been established on either of such Exchanges or such market, or a banking moratorium shall have been declared by Federal or state authorities; (iv) if at or prior to the Closing Date trading in securities of the Company shall have been suspended; or (v) if there shall have been such a material change in general economic, political or financial conditions or if the effect of international conditions on the financial markets in the United States shall be such as, in your reasonable judgment, makes it inadvisable to commence or continue the offering of the Notes to the public.

(c) This Agreement shall automatically terminate upon satisfaction and discharge of the Notes by the Company in accordance with the Indenture.

(d) Termination of this Agreement pursuant to this
Section 12 shall be without liability of any party to any other party other than as provided in Sections 5 and 8 hereof.

13. NOTICES. All communications hereunder shall be in writing and, if sent to any of the Underwriters, shall be mailed or delivered or telegraphed and confirmed in writing to the Representatives, _____ or if sent to the Company shall be mailed, delivered or telegraphed and confirmed in writing to the Company at 430 Main Street, Williamstown, Massachusetts 01267, Attention: Richard A. Stratton.

14. MISCELLANEOUS. This Agreement shall inure to the benefit of and be binding upon the several Underwriters, the Company and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Company and the several Underwriters and for the benefit of no other person except that (i) the representations and warranties of the Company and contained in this Agreement shall also be for the benefit of any person or persons who control any Underwriter within the meaning of Section 15 of the Securities Act, and (ii) the indemnities by the Underwriters shall also be for the benefit of the directors of the Company, officers of the Company who have signed the Registration

Statement and any person or persons who control the Company within the meaning of Section 15 of the Securities Act. No purchaser of Notes from any Underwriter will be deemed a successor because of such purchase. The validity and interpretation of this Agreement shall be governed by the laws of the State of Ohio. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. You hereby represent and warrant to the Company that you have authority to act hereunder on behalf of the several Underwriters, and any action hereunder taken by you will be binding upon all the Underwriters.

If the foregoing is in accordance with your understanding of our agreement, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and each of the several Underwriters.

Very truly yours,

LITCHFIELD FINANCIAL CORPORATION

By:

Title:

Confirmed and accepted as of the
date first above written.

For themselves and as
Representatives of the
Several Underwriters

By:
Title:

SCHEDULE I

UNDERWRITERS

Underwriter	Principal Amount of Notes to Be Purchased
_____	$
_____	
_____	
TOTAL	$

EXHIBIT 4.1

LITCHFIELD FINANCIAL CORPORATION

AND

THE BANK OF NEW YORK,
TRUSTEE

INDENTURE

Dated as of July 15, 1998

$100,000,000

Litchfield Financial Corporation

TIE-SHEET

of provisions of Trust Indenture Act of 1939 and the Indenture dated as of July 15, 1998, between Litchfield Financial Corporation and The Bank of New York, Trustee.

TRUST INDENTURE ACT OF 1939 SECTION	INDENTURE SECTION
310(a)(1)(2)(3)	10.1 and 10.12
(a)(4)	Not applicable
(b)	10.8 and 10.9
(c)	Not applicable
311(c)	Not applicable
312(a)	4.1(a) and (b)
(b)	4.1(c)
(c)	4.1(d)
313(a)	4.3
(b)	Not applicable
(c)	4.3
(d)	4.3
314(a)	4.2(a) and (b)
(b)	Not applicable
(c)	13.3
(d)	Not applicable
(e)	15.3
315(a)	10.2
(b)	7.2
(c)	10.2(b)
(d)	10.2(c)
(e)	7.12
316(a)(1)	7.3
(a)(2)	Not applicable
(b)	7.3
317(a)	7.7
(b)	3.4
318(a)	15.6

This tie-sheet does not constitute a part of the Indenture.

TABLE OF CONTENTS

This INDENTURE, dated as of July 15, 1998 between LITCHFIELD FINANCIAL CORPORATION, a Massachusetts corporation (herein called the "Company") and THE BANK OF NEW YORK, a New York banking corporation (herein, together with each successor as such trustee hereunder, called the "Trustee").

WITNESSETH:

WHEREAS, the Company deems it necessary to authorize the issuance from time to time of certain Notes (hereinafter sometimes called the "Notes") in one or more series, in an aggregate principal amount up to $100,000,000, to bear such rates of interest, to mature at such time or times and to have such other provisions as shall be provided in this Indenture or in one or more supplemental indentures in accordance herewith;

WHEREAS, this Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions; and

WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms have been done and performed, and the execution of this Indenture has in all respects been duly authorized;

NOW THEREFORE:

The Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Notes, as follows:

ARTICLE 1

DEFINITIONS

1.1 The terms defined in this Article 1 shall (except as herein otherwise expressly provided) for all purposes of this Indenture, have the respective meanings specified in this Article and include the plural as well as the singular. Any term defined in the Trust Indenture Act of 1939, either directly or by reference therein, and not defined in this Indenture, unless the context otherwise specifies or requires, shall have the meaning assigned to such term therein as in force on the date of this Indenture.

"Act" when used with respect to any Noteholder has the meaning specified in SECTION 15.4.

"affected" has the meaning specified in SECTION 13.2.

"Affiliate" means any person which directly or indirectly controls, is controlled by, or is under direct or indirect common control with, the Company. A person shall be deemed to control a corporation, partnership or other entity, for the purpose of this definition, if such person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, partnership or other entity, whether through the ownership of voting securities, by contract, or otherwise.

"Agent Members" has the meaning specified in SECTION 2.13.

"Annual Amount Limitations" has the meaning specified in SECTION 6.1.

"applicable supplemental indenture" means, with respect to any series of Notes, the supplemental indenture which authorized the issuance of such Notes, and any amendments thereto.

"Applicants" has the meaning specified in SECTION 4.1.

"Authenticating Agent" means the agent of the Trustee which at the time shall be appointed and acting pursuant to SECTION 10.13.

"Bankruptcy Act" means Title I of the Bankruptcy Reform Act of 1978, as amended, and codified at Title 11 of the United States Code, including the Federal Rules of Bankruptcy Procedure as in effect as of the date hereof or as hereafter amended, or any similar federal, state or foreign law for the relief of debtors.

"Board of Directors" or "Board" means the Board of Directors of the Company or any committee of such Board of Directors, however designated, authorized to exercise the powers of such Board of Directors in respect of the matters in question.

"business day" means any day which is not a Saturday, Sunday or other day on which banking institutions in the State in which the Trustee shall maintain its main office are authorized or obligated by law or required by executive order to close.

"Calculation Date" has the meaning specified in SECTION 3.11.

"Calculation Period" has the meaning specified in SECTION 3.11.

"capital stock" includes any and all shares, interests, participations or other equivalents (however designated) of corporate stock of any corporation.

"Certified Resolution" means a copy of a resolution or resolutions certified, by the Secretary or an Assistant Secretary of the corporation referred to, as having been duly adopted by the Board of Directors of such corporation or any committee of such Board of Directors, however designated,

authorized to exercise the powers of such Board of Directors in respect of the matters in question and to be in full force and effect on the date of such certification.

"Commission" means the United States Securities and Exchange Commission.

"Company" shall mean and include Litchfield Financial Corporation until any successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by its Chairman of the Board, Vice-Chairman of the Board, President or any Vice President and its Treasurer, Assistant Treasurer, Secretary or Assistant Secretary and delivered to the Trustee.

"corporation" shall mean and include corporations, associations, companies and business trusts.

"daily newspaper" shall mean The Wall Street Journal or another newspaper in the English language of national circulation in New York, New York and customarily published on each business day of the year, whether or not such newspaper is published on Saturdays, Sundays and legal holidays.

"date of this Indenture" means the date set forth on the cover page of this Indenture.

"day" means a calendar day.

"Default" means any act or occurrence of the character specified in
SECTION 7.1, but excluding any notice or lapse of time, or both, specified therein.

"Defaulted Interest" has the meaning specified in SECTION 2.3.

"Depositary" has the meaning specified in SECTION 2.6.

"Event of Default" means any act or occurrence of the character specified in SECTION 7.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means, with respect to any corporation, the Chairman of the Board, the Vice Chairman of the Board, the President, the Executive Vice President, any other Vice President or the Treasurer of such corporation.

"Fair Market Value" means, with respect to any asset, the price which could be negotiated in an arm's length free market transaction, for cash, between a willing seller and a willing buyer,

neither of which is under pressure or compulsion to complete the transaction; provided, however, that, except with respect to any asset or assets constituting less than $3,000,000, the Fair Market Value shall be required to be determined by the Board of Directors of the Company, acting in good faith, and shall be evidenced by resolutions of the Board of Directors of the Company delivered to the Trustee.

"Federal Bankruptcy Act" means Title I of the Bankruptcy Reform Act of 1978, as amended, and codified at Title 11 of the United States Code and the Federal Rules of Bankruptcy Procedure as in effect as of the date hereof or as hereafter amended.

"Five Percent Limitation" has the meaning specified in SECTION 6.1.

"Fundamental Structural Change" means the occurrence of any one or more of the following: (A) the Company shall consolidate with or merge into any other corporation or partnership, or convey, transfer or lease all or substantially all of its assets to any person, other than as part of a loan securitization or sale entered into in the ordinary course of its business; (B) any person shall consolidate with or merge into the Company pursuant to a transaction in which at least a majority of the common stock of the Company then outstanding is changed or exchanged or in which the number of shares of common stock issued by the Company in the transaction to persons who were not stockholders of the Company immediately prior to the transaction is greater than the number of shares outstanding immediately prior to the transaction; (C) any person shall purchase or otherwise acquire in one or more transactions beneficial ownership of fifty percent (50%) or more of the common stock of the Company outstanding on the date immediately prior to the last such purchase or other acquisition; (D) the Company or any Subsidiary shall purchase or otherwise acquire in one or more transactions during the 12 month period preceding the date of the last such purchase or other acquisition an aggregate of twenty-five percent (25%) or more of the common stock of the Company outstanding on the date immediately prior to the last such purchase or acquisition; or (E) the Company shall make a distribution of cash, property or securities to holders of common stock (in their capacity as such) (including by means of dividend, reclassification or recapitalization) which, together with all other such distributions during such 12 month period preceding the date of such distribution, has an aggregate fair market value in excess of an amount equal to twenty-five percent (25%) of the fair market value of the common stock of the Company outstanding on the date immediately prior to such distribution.

"Global Note" or "Global Notes" means any Note or Notes issued in global form.

"Indebtedness" means (i) any liability of any person (a) for borrowed money, (b) evidenced by a note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any property or assets (other than inventory or similar property acquired in the ordinary course of business), including securities, or (c) for the payment of money relating to a capitalized loan obligation; (ii) any guarantee by any person of, or any commitment relating to, any liability of others described in the preceding clause (i); and (iii) any amendment, renewal, extension or refunding of any liability referred to in clause (i) and (ii) above.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

"lien" means any mortgage, lien, pledge, charge or other security interest or encumbrance of any kind.

"main office" with reference to the Trustee shall mean the principal corporate trust office of the Trustee, which office is, on the date of this Indenture, located at 101 Barclay Street, Floor 21 West, New York, New York 10286.

"maturity" or "mature," when used with respect to any Note, means the date on which the principal of such Note becomes due and payable as therein or herein provided, whether at Stated Maturity or by declaration of acceleration, call for redemption at the option of the Company pursuant to ARTICLE 5 or presentment for repayment as provided in ARTICLE 6 hereof, or otherwise.

"Minimum Level" has the meaning specified in SECTION 3.11.

"Note" or "Notes" mean one or more of the notes comprising the Company's issue of Notes issued, authenticated and delivered under this Indenture or any indenture supplemental hereto creating one or more series of additional notes.

"Notes Custodian" means the Trustee, as custodian with respect to any Global Note, or any successor entity thereto.

"Note Register," "Note Co-Registrar" and "Note Registrar" have the respective meanings specified in SECTION 2.6.

"Noteholder," "noteholder," "holder of the Notes," "Holder" or "holder" or other similar terms mean any person in whose name, as of any particular date, a Note is registered on the Note Register.

"Notice of Default" has the meaning specified in SECTION 7.1.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Each such certificate, to the extent required, shall comply with the provisions of SECTION 15.3 hereof.

"Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company and who shall be reasonably satisfactory to the Trustee.

Each such Opinion of Counsel shall include the statements provided for in SECTION 15.3 if and to the extent required by the provisions of such Section.

"outstanding" means, as of the date of determination, all Notes which theretofore shall have been authenticated and delivered by the Trustee under this Indenture, except (A) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation, (B) Notes or portions thereof for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee or any paying agent in trust for the holders of the Notes; provided, however, that in the case of redemption, any notice required shall have been given or have been provided for to the satisfaction of the Trustee, and (C) Notes in exchange or substitution for or in lieu of which other Notes have been authenticated and delivered under any of the provisions of this Indenture. Notwithstanding the foregoing provision of this paragraph, Notes in exchange or substitution for or in lieu of which other Notes have been authenticated and delivered under SECTION 2.10 hereof and which have not been surrendered to the Trustee for cancellation or the payment of which shall not have been duly provided for, shall be deemed to be outstanding. In determining whether the Noteholders of the requisite principal amount of Notes outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company, including any Subsidiary, or such other obligor shall be disregarded and deemed not outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be disregarded. Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or a Subsidiary or such other obligor.

"paying agent" means any person authorized by the Company to pay the principal of, premium, if any, and interest on any Notes on behalf of the Company.

"Permitted Investments" means obligations of, or guaranteed as to interest and principal by, the United States Government, open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated "prime-1" or its equivalent by Moody's Investors Service, Inc. or "A-1" or its equivalent by Standard & Poor's Corporation or bankers acceptances or certificates of deposit issued by commercial banks organized under the laws of the United States of America or any political subdivision thereof rated "Aa" or better by Moody's Investors Service, Inc. or "AA" or better by Standard & Poor's Corporation and having a final maturity of less than one year or instruments issued by investment companies having a portfolio 90% or more consisting of the type and maturity described above.

"person" means any individual, partnership, corporation, trust, unincorporated association, joint venture, government or any department or agency thereof, or any other entity.

"place of payment" means such place as designated in SECTION 2.3 hereof.

"predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under SECTION 2.10 in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same debt as the lost, destroyed or stolen Note.

"Proceeding" means any suit in equity, action at law or other legal, equitable, administrative or similar proceeding.

"Qualified Institutions" has the meaning specified in SECTION 6.2.

"Ratio" has the meaning specified in SECTION 3.11.

"Redemption Date" when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Period" has the meaning specified in SECTION 6.1.

"Redemption Register" has the meaning specified in SECTION 6.4.

"Regular Record Date" has the meaning specified in SECTION 2.3.

"Repurchase Date" has the meaning specified in SECTION 6.5.

"Required Rating" has the meaning specified in SECTION 6.5.

"Responsible Officers" of the Trustee means the Chairman of the Board of Directors, every Vice Chairman of the Board of Directors, the President, the Chairman or any Vice Chairman of the Executive Committee of the Board, the Chairman of the Trust Committee, every Vice President, every Assistant Vice President, the Cashier, every Assistant Cashier, the Secretary, every Assistant Secretary, the Treasurer, every Assistant Treasurer, every Trust Officer, every Assistant Trust Officer, the Controller, every Assistant Controller, and every other officer and assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be any such officers and also means, with respect to a particular corporate trust matter, any other officer to whom such corporate trust matter is referred because of his knowledge and familiarity with a particular subject.

"Significant Subsidiary" means any Subsidiary of the Company the consolidated assets of which constitute twenty percent (20%) or more of the consolidated assets of the Company.

"Significant Subsidiary Disposition" means (A) the merger, consolidation, conveyance or transfer of all or substantially all of the assets of a Subsidiary, or (B) the issuance, sale, transfer, assignment, pledge or other disposition of the capital stock of a Subsidiary or securities convertible or exchangeable into shares of capital stock of such Subsidiary.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to SECTION 2.3.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable.

"Subsidiary" means any corporation more than fifty percent (50%) of whose shares of stock having general voting power under ordinary circumstances to elect a majority of the board of directors of such corporation irrespective of whether or not at the time stock of any other class or classes shall or might have voting power by reason of the happening of any contingency, is owned or controlled directly or indirectly by the Company.

"supplemental indenture" or "indenture supplemental hereto" means any indenture hereafter duly authorized and entered into in accordance with the provisions of this Indenture.

"Trustee" means The Bank of New York, and, subject to the provisions of the Indenture, shall also include any successor trustee.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as in force at the date as of which this instrument was executed.

All accounting terms used in this Indenture shall have the meanings assigned to them in accordance with generally accepted accounting principles and practices employed at the time by the Company.

ARTICLE 2

ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

2.1 DESIGNATION, AMOUNT AND ISSUE OF NOTES. The Notes shall be designated as set forth in one or more indentures supplemental hereto. Notes in an aggregate principal amount of up to $100,000,000, to bear such rates of interest, to mature at such time or times and to have such other provisions as may be provided in this Indenture and in the applicable supplemental indenture, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its Chairman of the Board, the President or an Executive Vice President or any Vice President. Prior to such authentication the Trustee shall be entitled to receive an executed supplemental indenture, an Officers' Certificate and Opinion of Counsel satisfactory to the Trustee.

2.2 FORM OF NOTES. The Notes and the Trustee's certificate of authentication to be borne by the Notes shall be substantially in the form set forth in any supplemental indenture under which such Notes are issued. Any of the Notes may have imprinted thereon such legends or endorsements as the officer or officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture or any supplemental indenture under which the Notes are issued, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Notes may be listed, or to conform to usage. With respect to the Notes of any particular series, the Company may incorporate in, add to or delete from the general title of such Notes any words, letters or figures designed to distinguish that series, pursuant to the applicable supplemental indenture or a Certified Resolution.

2.3 DENOMINATIONS, DATES, INTEREST PAYMENT AND RECORD DATES. The Notes shall be issuable as registered Notes without coupons in denominations of $1,000 and any integral multiple of $1,000, and shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plan as the officers of the Company executing the same may determine with the approval of the Trustee. The Notes shall be dated the date of authentication thereof by the Trustee. Notes may be issued at a discount, and shall bear interest, as set forth in the applicable supplemental indenture establishing the form of such Note.

The term "Regular Record Date" as used with respect to an interest payment date for any series of Notes shall mean such day or days as shall be specified in any supplemental indenture pursuant to which the Notes are issued; provided, however, that in the absence of any such provisions with respect to any series of Notes, such term shall mean (1) the last day of the calendar month preceding such interest payment date if such interest payment date is the fifteenth day of a calendar month; or (2) the fifteenth day of the calendar month preceding such interest payment date if such interest payment date is the first day of a calendar month.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant Regular Record Date by virtue of having been such holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or clause (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the persons in whose names the Notes (or their respective predecessor Notes) are registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be

held in trust for the benefit of the persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than twenty (20) nor less than ten (10) days prior to the date of the proposed payment and not less than thirty-five (35) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Noteholder at his address as it appears in the Note Register, not less than ten (10) days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a daily newspaper in each place of payment, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Notes (or their respective predecessor Notes) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue which were carried by such other Note.

The principal of and the premium, if any, and the interest on the Notes shall be paid at the office or agency of the Company which shall be located at the main office of the Trustee (the "place of payment") in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts; provided, however, that interest on any Notes may be payable, at the option of the Company, by check mailed to the person entitled thereto as such person's address shall appear on the Note Register.

2.4 NUMBERS AND LEGENDS ON NOTES. Notes may bear such numbers, letters or other marks of identification or designation, may be endorsed with or have incorporated in the text thereof such legends or recitals with respect to transferability or in respect of the Note or Notes for which they are exchangeable, and may contain such provisions, specifications and descriptive words, not inconsistent with the provisions of this Indenture, as may be determined by the Company or as may be required to comply with any law or with any rule or regulation made pursuant thereto.

2.5 EXECUTION OF NOTES. Each Note shall be signed in the name and on behalf of the Company by one or more of its officers. The signature of an officer of the Company may, if permitted by law, be in the form of a facsimile signature and may be imprinted or otherwise

reproduced on the Notes. In case any officer of the Company who shall have signed, or whose facsimile signature shall be borne by, any of the Notes shall cease to be such officer of the Company before the Notes so executed shall be actually authenticated and delivered by the Trustee, such Notes shall nevertheless bind the Company and may be authenticated and delivered as though the person whose signature appears on such Notes had not ceased to be such officer of the Company.

2.6 REGISTRATION OF TRANSFER OF NOTES. The Company shall keep or cause to be kept at the main office of the Trustee books for the registration of transfer of Notes issued hereunder (herein sometimes referred to as the "Note Register") and upon presentation for such purpose at such office the Company will register or cause to be registered the transfer therein, under such reasonable regulations as it may prescribe, of such Notes. The Trustee is hereby appointed "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more "Note Co-Registrars" for such purpose as the Board of Directors may determine where Notes may be presented or surrendered for registration, registration of transfer or exchange and such books, at all reasonable times, shall be open for inspection by the Trustee. The Trustee is hereby appointed as Notes Custodian with respect to any Global Note(s) that may be issued under one or more supplemental indentures.

The Depository Trust Company is hereby appointed as depositary (the "Depositary") with respect to any Global Note(s) that may be issued under one or more supplemental indentures.

2.7 EXCHANGE AND REGISTRATION OF TRANSFER OF NOTES. Whenever any Note shall be surrendered to the Company at an office or agency referred to in
SECTION 3.2 hereof, for registration of transfer or exchange, duly endorsed or accompanied by a proper written instrument or instruments of assignment and transfer thereof or for exchange in form satisfactory to the Company and the Trustee, or any Note Registrar or Note Co-Registrar, duly executed by the holder thereof or his attorney duly authorized in writing, the Company shall execute, and the Trustee shall authenticate and deliver, in exchange therefor, a Note or Notes in the name of the designated transferee, as the case may require, for a like aggregate principal amount and of such authorized denomination or denominations as may be requested. All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

The Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge or expense that may be imposed in connection with any exchange or transfer of Notes other than exchanges pursuant to SECTION 2.8 or 13.5 not involving any transfer. No service charge will be made for any such transaction.

The Company shall not be required to issue or to make registrations of transfer or exchanges of Notes for a period of fifteen (15) days prior to the date of mailing of any notice of redemption, and ending on the date of such mailing. The Company shall not be required to issue or to make registrations of transfer or exchanges of any Notes which have been selected for redemption in whole

or in part, except in the case of any Note to be redeemed in part, for which the Company shall register transfers and make exchanges of the portion thereof not so to be redeemed.

Upon delivery by any Note Co-Registrar of a Note in exchange for a Note surrendered to it in accordance with the provisions of this Indenture, the Note so delivered shall for all purposes of this Indenture be deemed to be duly registered in the Note Register; provided, however, that in making any determination as to the identity of persons who are holders, the Trustee shall, subject to the provisions of SECTION 10.2, be fully protected in relying on the Note Register kept at the main office of the Trustee.

Any holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Note may be effected, only through a book-entry system maintained by the Depository (or its agent), and that ownership of a beneficial interest in the Global Note shall be required to be reflected in a book entry.

2.8 TEMPORARY NOTES. Pending the preparation of definitive Notes the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Notes which may be printed, lithographed, typewritten, mimeographed or otherwise reproduced. Temporary Notes shall be issuable in any authorized denomination, and substantially of the tenor of the definitive Notes in lieu of which they are issued, but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the officers of the Company executing such Notes as evidenced by their execution of such Notes. Every such temporary Note shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Notes. If temporary Notes are issued, without unreasonable delay, the Company will execute and deliver to the Trustee definitive Notes and thereupon any and all temporary Notes may be surrendered in exchange therefor, at the offices referred to in SECTION 3.2, and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of authorized denominations. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes authenticated and delivered hereunder.

2.9 RECOGNITION OF REGISTERED HOLDERS OF DEFINITIVE NOTES AND
TEMPORARY NOTES. The Company, the Trustee or any agent of the Company or the Trustee may deem and treat (A) the registered holder of any temporary Note, and (B) the registered holder of any definitive Note, as the absolute owner of such Note in accordance with SECTION 8.1.

2.10 MUTILATED, DESTROYED, LOST OR STOLEN NOTES. In case any Note shall become mutilated or be destroyed, lost or stolen, then upon the satisfaction of the conditions hereinafter set forth in this SECTION 2.10 the Company (A) shall, in the case of any mutilated Note, and (B) shall, in the case of any destroyed, lost or stolen Note, in the absence of notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, execute, and upon the written request of the Company, the Trustee shall authenticate and deliver, a new Note of like principal amount bearing

a number not contemporaneously outstanding, in exchange and substitution for and upon surrender and cancellation of the mutilated Note or in lieu of and substitution for the Note so destroyed, lost or stolen; provided, however, that if any such mutilated, destroyed, lost or stolen Note shall have become or shall be about to become due and payable, or shall have been selected or called for redemption, the Company may instead of issuing a substituted Note, pay such Note without requiring the surrender thereof, except that such mutilated Note shall be surrendered. The applicant for such substituted Note shall furnish to the Company and to the Trustee evidence satisfactory to them, in their discretion, of the ownership of and the destruction, loss or theft of such Note and shall furnish to the Company and to the Trustee and any Note Registrar such security or indemnity as may be required by them to save each of them harmless, and, if required, shall reimburse the Company for all expenses (including any tax or other governmental charge and the fees and expenses of the Trustee) in connection with the preparation, authentication and delivery of such substituted Note, and shall comply with such other reasonable regulations as the Company, the Trustee, or either of them, may prescribe.

Every new Note issued pursuant to this SECTION 2.10 in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionally with any and all other Notes duly issued hereunder.

The provisions of this SECTION 2.10 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

2.11 AUTHENTICATION OF NOTES. Subject to the qualifications hereinbefore set forth, the Notes to be issued hereby shall be substantially of the tenor and effect set forth in the supplemental indenture providing for their issuance, and no Notes shall be secured hereby or entitled to the benefit hereof, or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon an authentication certificate manually executed by the Trustee; and such certificate on any Note issued by the Company shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

2.12 SURRENDER AND CANCELLATION OF NOTES. All Notes surrendered for payment, redemption, transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and, if not already canceled, shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder, which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this SECTION 2.12, except as expressly permitted by this Indenture. The Trustee, upon written request of the Company, shall deliver all canceled Notes held by it to the Company at least annually.

2.13 BOOK-ENTRY PROVISIONS FOR GLOBAL NOTES. Any Global Note(s) that may be issued under one or more supplemental indentures initially shall (i) be registered in the name of the Depositary or the nominee of the Depositary and (ii) be delivered to the Trustee as Notes Custodian for the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture or any supplemental indenture with respect to any Global Note held on their behalf by the Depositary, or the Trustee as Notes Custodian, or under any Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute legal owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein or in any supplemental indenture shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a beneficial owner of any Note.

Transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to the Depositary, its successors and their respective nominees. Interests of beneficial owners in a Global Note may be transferred in accordance with the applicable rules and procedures of the Depositary and the provisions of SECTION 2.6 and SECTION 2.7.

The registered holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

2.14 CERTIFICATED NOTES. If the Depositary is at any time unwilling or unable to continue as a depositary for any Global Note(s) that may be issued under one or more supplemental indentures and a successor depositary is not appointed by the Company within 90 days, the Company will issue certificated Notes in exchange for such Global Notes. In connection with the execution and delivery of such certificated Notes, the Trustee shall reflect on its books and records a decrease in the principal amount of the relevant Global Note equal to the aggregate principal amount of such certificated Notes and the Company shall execute and the Trustee shall, upon receipt of a Company Order, authenticate and deliver one or more certificated Notes in an equal aggregate principal amount.

Notes issued in exchange for a Global Note or any portion thereof shall be issued as certificated Notes, shall have an aggregate principal amount equal to that of such Global Note or portion thereof to be so exchanged, and shall be registered in such names and be in such authorized denominations as the Depositary shall designate. Any Global Note to be exchanged in whole shall be surrendered by the Depositary to the Trustee. With respect to any Global Note to be exchanged in part, either such Global Note shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Note, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of

an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Note issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.

ARTICLE 3

PARTICULAR COVENANTS OF THE COMPANY

The Company covenants as follows:

3.1 PAYMENT OF PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON NOTES. The Company will duly and punctually pay or cause to be paid the principal of and premium, if any, and interest on each of the Notes at the time and place and in the manner provided in the Notes and this Indenture and any supplemental indenture.

3.2 MAINTENANCE OF OFFICE OR AGENCY FOR REGISTRATION OF TRANSFER, EXCHANGE AND PAYMENT OF NOTES. So long as any of the Notes shall remain outstanding, the Company will maintain an office or agency, where the Notes may be surrendered for exchange or registration of transfer as in this Indenture provided, and where notices and demands to or upon the Company in respect to the Notes may be served, and where the Notes may be presented or surrendered for payment. The Company may also from time to time designate one or more other offices or agencies where Notes may be presented or surrendered for any and all such purposes and may from time to time rescind such designations. The Company will give to the Trustee notice of the location of any such office or agency and of any change of location thereof. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, such surrenders, presentations and demands may be made and notices may be served at the main office of the Trustee, and the Company hereby appoints the Trustee its agent to receive at the aforesaid office all such surrenders, presentations, notices and demands. The Trustee will give the Company prompt notice of any change in location of the Trustee's main office.

3.3 APPOINTMENT TO FILL A VACANCY IN THE OFFICE OF TRUSTEE. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in SECTION 10.9, a Trustee, so that there shall at all times be a Trustee hereunder.

3.4 PROVISION AS TO PAYING AGENT.

(a) If the Company appoints a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall undertake, subject to the provisions of this SECTION 3.4,

(1) that it will hold all sums held by it as such agent for the payment of the principal of or premium, if any, or interest on the Notes in trust for the benefit of the holders of the Notes or the Trustee,

(2) that it will give the Trustee notice of any failure by the Company to make any payment of the principal of or premium, if any, or interest on the Notes when the same shall be due and payable, and

(3) that it will at any time during the continuance of any Event of Default specified in SECTION 7.1, upon the written request of the Trustee, deliver to the Trustee all sums so held in trust by it.

(b) If the Company does not act as its own paying agent, it will, prior to each due date of the principal of or premium, if any, or interest on any Notes, deposit with such paying agent a sum sufficient to pay the principal or premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the holders of Notes entitled to such principal of or premium, if any, or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

(c) If the Company acts as its own paying agent, it will, on or before each due date of the principal of or premium, if any, or interest on the Notes, set aside, segregate and hold in trust for the benefit of the persons entitled thereto, a sum sufficient to pay such principal or premium or interest so becoming due and will notify the Trustee of any failure to take such action.

(d) Anything in this SECTION 3.4 to the contrary notwithstanding, the Company may, for the purpose of obtaining a satisfaction and discharge of this Indenture in accordance with ARTICLE 11 hereof but only if and to the extent permitted thereby, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it, or any paying agent hereunder, as required by this SECTION 3.4, such sums to be held by the Trustee upon the trusts herein contained. Upon such payment by any paying agent to the Trustee, such paying agent shall be released from all further liability with respect to such money.

(e) Anything in this SECTION 3.4 to the contrary notwithstanding, the holding of sums in trust as provided in this SECTION 3.4 is subject to the provisions of SECTION 15.2 hereof.

3.5 MAINTENANCE OF CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, and that of each Subsidiary and the rights (charter and statutory) and franchises of the Company and its Subsidiaries; provided, however, that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries considered as a whole and that the loss thereof is not disadvantageous in any material respect to the holders of the Notes.

3.6 NOTICE OF DEFAULT.

(a) The Company will file with the Trustee, within forty-five (45) days after the end of each fiscal quarter of the Company commencing with the last day of the first fiscal quarter (based on a calendar year) following the first issuance of Notes hereunder, an Officers' Certificate stating, as to each signer thereof, that:

(1) a review of the activities of the Company during such quarter and of performance under this Indenture and under any and all supplemental indentures has been made under his supervision; and

(2) to the best of his knowledge, based on such review, the Company has fulfilled all of its obligations under this Indenture and under any and all supplemental indentures throughout such quarter, or, if there has been any Default in the fulfillment of any such obligation, specifying each such Default known to him and the nature and status thereof.

(b) When any Default or Event of Default has occurred and is continuing or if the trustee for or the holder of any other evidence of Indebtedness of the Company gives any notice or takes any other action with respect to a claimed default, the Company shall deliver to the Trustee by registered or certified mail or facsimile transmission followed by hard copy an Officers' Certificate specifying such Default, Event of Default, notice or other action, the status thereof and what actions the Company is taking or proposing to take with respect thereto, within ten business days after the Company knew or should have known of its occurrence. This SECTION 3.6(b) shall not be interpreted to require the Company to calculate the Ratio (as defined in SECTION 3.11) more often than is required pursuant to SECTION 3.11 below.

3.7 WILL PAY INDEBTEDNESS. The Company will pay or cause to be paid all Indebtedness of the Company and of each Subsidiary (but, in the case of Indebtedness of a Subsidiary on which the Company is not liable, the Company shall be obligated so to do only to the extent that such Subsidiary's assets shall be insufficient for the purpose), as and when same shall become due and payable, and will observe, perform and discharge or cause to be observed, performed or discharged in accordance with their terms all of the covenants, conditions and obligations which are imposed on it by any and all mortgages, indentures and other agreements evidencing or securing Indebtedness of the Company or any Subsidiary or pursuant to which such Indebtedness is issued, so as to prevent the occurrence of any act or omission which is a default thereunder, and which remains uncured or is not waived for a period of thirty
(30) days beyond any applicable notice and/or cure period. The Company will notify the Trustee of any breach of the covenants contained in this SECTION 3.7 within ten (10) days after the Company has knowledge of such breach.

3.8 WILL KEEP, AND PERMIT EXAMINATION OF, RECORDS AND BOOKS OF ACCOUNT AND WILL PERMIT VISITATION OF PROPERTY. The Company will (A) keep proper records and books of account in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions of the Company and each Subsidiary, and (B) permit or cause to permit the Trustee,

personally or by its agents, accountants and attorneys, to visit or inspect any of the properties, examine the records and books of account and discuss the affairs, finances and accounts, of the Company and each Subsidiary, with the officers of the Company and Subsidiaries at such reasonable times as may be requested by the Trustee. The Trustee shall be under no duty to make any such visit, inspection or examination.

The Company covenants that books of record and account will be kept in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the properties, business and affairs of the Company.

3.9 MAINTENANCE OF PROPERTIES. The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company or any Subsidiary from discontinuing the operation and maintenance of any such properties, or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company or of the Subsidiary concerned, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the holders of the Notes.

3.10 PAYMENT OF TAXES AND OTHER CLAIMS. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and the Company shall have set aside on its books adequate reserves with respect thereto (segregated to the extent required by generally accepted accounting principles).

3.11 RESTRICTIONS ON INDEBTEDNESS. The Company covenants that it will not, nor will it permit any Subsidiary to, incur, create, assume or otherwise become liable with respect to (collectively, an "incurrence") any Indebtedness unless as of and for the twelve (12) month period (each, a "Calculation Period") ending on the date of the proposed incurrence of such Indebtedness (a "Calculation Date"), and after giving effect to the proposed incurrence and the application of the proceeds therefrom, (i) the Company is in compliance with all the terms, conditions and provisions of this Indenture and any supplemental indenture(s), and (ii) the ratio (the "Ratio") of (A) the Company's earnings before deduction of taxes, depreciation, amortization and interest expense (as shown by a PRO FORMA consolidated income statement of the Company and its consolidated Subsidiaries) to (B) the aggregate amount of interest paid on the Notes and all other Indebtedness

of the Company or its Subsidiaries during the relevant Calculation Period is equal to or exceeds 2:1 (the "Minimum Level"). The Company further covenants that it will maintain the Ratio at the Minimum Level for each twelve (12) month period ending on each June 30 and December 31 subsequent to the date of the first issuance of Notes hereunder and during any period Notes are outstanding under the Indenture (and any such twelve (12) month period shall also be considered a Calculation Period), whether or not there is an incurrence of Indebtedness, and any failure to so maintain the Ratio at or above the Minimum Level shall constitute a default hereunder. The Company will deliver to the Trustee, within forty-five (45) days after the end of each Calculation Period, an Officer's Certificate, which shall set forth the relevant calculations, stating that the Company is, as of the relevant Calculation Date, in compliance with the provisions of this SECTION 3.11.

3.12 WILL MAINTAIN OFFICE. The Company will maintain an office of the Company, which shall be and remain the principal place of business of the Company, in Williamstown, Massachusetts; provided, however, that upon at least thirty (30) days' prior written notice to the Trustee, the Company may move such office and records to any other address as set forth in such notice.

3.13 LIMITATION ON DIVIDENDS AND OTHER PAYMENTS. The Company will not declare or pay any of the following (each, a "Restricted Payment"): (i) any dividend or other distribution of property or assets other than a dividend payable solely in shares of capital stock of the Company; (ii) a repayment or defeasance of any Indebtedness subordinate in right of payment of interest or principal to the Notes (except so long as the Notes are not in default, scheduled payments of principal and interest may be made in accordance with the terms of such subordinated Indebtedness); (iii) an exchange of capital stock of the Company for an instrument(s) evidencing Indebtedness of the Company incurred after the last day of the month immediately preceding the date of the first issuance of Notes hereunder or (iv) any repurchase by the Company of its capital stock. Notwithstanding the foregoing, the Company (and any of its Subsidiaries) may declare or pay a Restricted Payment, if such Restricted Payment when aggregated with all other Restricted Payments made by the Company or any Subsidiary after the last day of the month immediately preceding the date of the first issuance of Notes hereunder, is less than the sum of (A) $2,000,000, plus (B) forty-five percent (45%) of the Company's (and its Subsidiaries') cumulative net income earned during the period commencing on the last day of the month immediately preceding the date of the first issuance of Notes hereunder and ending on the date on which the Restricted Payment is to be made plus (C)

the cumulative cash and non-cash proceeds to the Company of all public or private offerings of its capital stock during such period; provided that, notwithstanding the foregoing, the Company shall make no Restricted Payment if
(i) there exists a default hereunder, or (ii) the making of the Restricted Payment would cause the Company not to be in compliance with the terms, conditions and provisions of the Indenture, any supplemental indenture or any other indenture or loan agreement to which the Company is a party.

ARTICLE 4

NOTEHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

4.1 NOTEHOLDER LISTS, ETC.

(a) The Company will furnish or cause to be furnished to the Trustee, monthly, not more than fifteen (15) days after each Regular Record Date for any series of Notes a list, in such form as the Trustee may reasonably require, of the names and addresses of the holders of Notes of such series as of such Regular Record Date, and at such other times, as the Trustee may request in writing, within thirty (30) days after receipt by the Company of any such request, a list of similar form and content as of a date not more than fifteen
(15) days prior to the time such list is furnished; provided, however, that so long as the Trustee is the sole Note Registrar, no such list shall be required to be furnished.

(b) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the holders of Notes received by the Trustee in its capacity as Note Registrar contained in the most recent list furnished to it as provided in subsection (a) of this SECTION 4.1. The Trustee may destroy any list furnished to it as provided in subsection (a) of this SECTION 4.1, upon receipt of a new list so furnished.

(c) In case three (3) or more holders of Notes of any series (hereinafter called "Applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Note for a period of at least six (6) months preceding the date of such application, and such application states that the Applicants desire to communicate with other holders of Notes of such series with respect to their rights under this Indenture, any supplemental indenture or under the Notes, and is accompanied by a copy of the form of proxy or other communication which such Applicants propose to transmit, then the Trustee shall, within five (5) business days after the receipt of such application, at its election, either

(1) afford to such Applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (b) of this SECTION 4.1; or

(2) inform such Applicants as to the approximate number of holders of Notes of such series whose names and addresses appear in the information preserved at the time by

the Trustee, in accordance with the provisions of subsection (b) of this SECTION 4.1, and as to the approximate cost of mailing to such Noteholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such Applicants access to such information, the Trustee shall, upon the written request of such Applicants, mail to each Noteholder of such series whose name and address appears in the information preserved at the time by the Trustee in accordance with the provisions of subsection (b) of this
SECTION 4.1, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment or provision for the payment of the reasonable expenses of mailing, unless within five (5) days after such tender the Trustee shall mail to such Applicants and file with the Commission together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Notes, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one (1) or more of such objections, the Commission shall find, after notice and opportunity for a hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Noteholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such Applicants respecting their application.

(d) Every holder of the Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee, nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Notes in accordance with the provisions of subsection (c) of this
SECTION 4.1, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (c).

4.2 REPORTS BY COMPANY. The Company covenants and agrees:

(a) To file with the Trustee within fifteen (15) days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents, or reports pursuant to either of such Sections, then the Company will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange

Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) To file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations;

(c) To transmit to the holders of the Notes, in the manner and to the extent provided in subsection (c) of Section 313 of the TIA, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsection (a) or subsection (b) as may be required by the rules and regulations promulgated by the Commission; and

(d) To furnish to the Trustee with or as a part of each annual report and each other document or report filed with the Trustee pursuant to subsection (a), (b) or (c) of this SECTION 4.2, an Officers' Certificate stating that in the opinion of each of the signers such annual report or other document or report complies with the requirements of such subsection (a), (b) or (c).

Each certificate furnished to the Trustee pursuant to the provisions of this SECTION 4.2 shall conform to the requirements of SECTION 15.3 hereof.

4.3 REPORTS BY TRUSTEE. The Trustee shall as provided in TIA
Section 313(c), if required thereunder, transmit within sixty (60) days after January 1, 1999 and each January 1 thereafter, a brief report if required pursuant to TIA Section 313(a) to the Noteholders of any series of Notes then outstanding. A copy of each such report shall, at the time of such transmission to the Noteholders, be filed by the Trustee with each stock exchange upon which the Notes are listed and also with the Commission. The Company will notify the Trustee if any Notes are listed.

ARTICLE 5

REDEMPTION OF NOTES AT COMPANY'S OPTION

5.1 ELECTION BY COMPANY TO REDEEM NOTES. The Notes of any series shall be redeemable at any time prior to the Stated Maturity thereof, upon notice as provided in this ARTICLE 5, as a whole at any time, or in part from time to time (but only in principal amounts of $1,000 or any integral multiple thereof), at the option of the Company, commencing on the date or dates set forth in the applicable supplemental indenture for each series of Notes, on not less than 30 nor more than 60 days' notice given as provided in the Indenture or any applicable supplemental indenture upon payment of the then applicable redemption price (expressed in percentages of the principal amount) set forth in the applicable supplemental indenture, together in each case with accrued and unpaid interest to the date fixed for redemption, all subject to the conditions more fully set forth in the applicable supplemental indenture.

The election of the Company to redeem any Notes shall be evidenced by a Certified Resolution. Whenever any of the Notes outstanding are to be redeemed pursuant to this SECTION 5.1, the Company shall give the Trustee at least sixty (60) days' written notice (or such shorter period of time as is acceptable to the Trustee) prior to the Redemption Date of such Redemption Date and of the principal amount of Notes to be redeemed.

5.2 REDEMPTION OF PART OF NOTES. In case of the redemption of less than all of the outstanding Notes of any series, the Notes to be redeemed shall be selected by the Trustee by lot or any other method deemed reasonable by the Trustee, not more than sixty (60) days prior to the Redemption Date, from the outstanding Notes not previously called for redemption, which method may provide for the selection for redemption of portions (equal to $1,000 or any integral multiple thereof) of the principal amount of such series of Notes of a principal amount larger than $1,000.

In the case of any partial redemption, the Trustee shall promptly notify the Company in writing of the serial numbers (and, in the case of any Note which is to be redeemed in part only, the portion of the principal amount thereof to be redeemed) of the Notes selected for redemption.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal of such Note which has been or is to be redeemed.

5.3 NOTICE OF REDEMPTION. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to each holder of Notes to be redeemed, at his last address appearing in the Note Register.

All notices of redemption shall include the CUSIP number of the securities to be redeemed and shall state:

(a) The Redemption Date;

(b) The redemption price plus accrued interest, if any;

(c) If less than all outstanding Notes of any series are to be redeemed, the serial numbers (and, in the case of any Note which is to be redeemed in part only, the portion of the principal amount thereof to be redeemed) of the Notes to be redeemed;

(d) That on the Redemption Date the redemption price of each of the Notes to be redeemed will become due and payable, and that interest thereon shall cease to accrue from and after said date; and

(e) The place where such Notes are to be surrendered for payment of the redemption price, which shall be the office or agency of the Company in the place of payment.

Notice of redemption of Notes to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Failure to give notice of redemption, or any defect therein, to any holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Note.

5.4 DEPOSIT OF REDEMPTION PRICE. On or before 10:00 a.m. on any Redemption Date, the Company shall deposit with the Trustee or with a paying agent (or, if the Company is acting as its own paying agent, segregate and hold in trust as provided in SECTION 3.4(C) hereof) an amount of money sufficient to pay the redemption price of all principal of, and (unless such Redemption Date is an Interest Payment Date) accrued interest on, the Notes which are to be redeemed on that date.

5.5 DATE ON WHICH NOTES CEASE TO BEAR INTEREST, ETC. Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified and from and after such date (unless the Company shall default in the payment of the redemption price) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the redemption price together with accrued interest thereon to the Redemption Date; PROVIDED, HOWEVER, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Dates according to the terms and provisions of SECTION 2.3 hereof.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal, and premium, if any, shall, until paid, bear interest from the Redemption Date at the rate borne by the Note.

Any Note which is to be redeemed only in part shall be surrendered at the office or agency designated pursuant to SECTION 3.2 hereof (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the holder of such Note, without service charge, a new Note or Notes of such series of any authorized denomination or denominations as requested by such holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

5.6 ALL NOTES DELIVERED. All Notes redeemed pursuant to
SECTION 5.1 hereof shall be canceled by the Trustee in accordance with its standard procedures, and the Trustee shall deliver such canceled Notes to the Company.

ARTICLE 6

REDEMPTION OF NOTES AT HOLDER'S OPTION

6.1 REDEMPTION RIGHT AT HOLDER'S OPTION.

(a) Unless pursuant to the terms of SECTION 7.1 the Notes have been declared due and payable prior to their maturity by reason of an Event of Default and such Event of Default has not been waived and such declaration has not been rescinded or annulled, a holder has the right to present Notes for payment prior to their maturity, and the Company will redeem the same (or any portion of the principal amount thereof which is $1,000 or an integral multiple thereof, as the holder may specify) subject to the limitations that the Company will have no obligation to redeem Notes pursuant to this Section 6.1 in excess of the following annual maximum amounts, or the applicable annual maximum amounts set forth in any applicable supplemental indenture (collectively, the "Annual Amount Limitations") of (A) $25,000 in aggregate principal amount per holder for any Redemption Period (as defined below) and (B) for any Redemption Period, an aggregate principal amount for all Notes submitted for redemption equal to five percent (5%) of the aggregate original principal amount of the Notes of all series theretofore issued under the Indenture (the "Five Percent Limitation"). Notes submitted for redemption pursuant to this SECTION 6.1, except for Notes submitted for redemption following the death of a holder, must be submitted on or prior to the date that is sixty (60) days prior to the end of the applicable Redemption Period, for redemption on the last day of such Redemption Period. If the $25,000 per holder limitation has been reached and the Five Percent Limitation has not been reached, if Notes have been properly presented for payment, each in an aggregate principal amount exceeding $25,000, the Company will redeem such Notes in order of their receipt (except Notes presented for payment in the event of death of a holder, which will be given priority in order of their receipt), up to the aggregate limitation of five percent (5%) of the aggregate principal amount of the Notes of all series issued under this Indenture, notwithstanding the $25,000 limitation. "Redemption Period" shall mean the period of time beginning with the date of issuance of Notes hereunder and ending with the first day of the thirteenth month following such date, and every twelve (12) month period thereafter.

(b) Subject to the Annual Amount Limitations, the Company will, at any time upon the death of any holder, redeem Notes within sixty (60) days following receipt by the Trustee of a written request therefor from such holder's personal representative, or surviving joint tenant(s), tenant by the entirety or tenant(s) in common.

6.2 REDEMPTION PROCEDURE. Notes presented for redemption pursuant to SECTION 6.1(a) or (b) will be redeemed in order of their receipt by the Trustee, except that Notes presented for payment in the event of death of a holder pursuant to SECTION 6.1(b), will be given priority in order of their receipt, over other Notes. Notes not redeemed in any such period because they have not been presented on or prior to the date that is sixty (60) days prior to the end of the applicable Redemption Period or because of the Annual Amount Limitations will be held in order of their receipt for redemption during the following twelve (12) month period(s)

until redeemed, unless sooner withdrawn by the holder. Holders of Notes presented for redemption shall be entitled to and shall receive scheduled payments of interest thereon on scheduled Interest Payment Dates until their Notes are redeemed.

Notes may be presented for redemption by delivering to the Trustee: (A) a written request for redemption, in a form satisfactory to the Trustee, signed by the registered holder(s) or his or her duly authorized representative, (b) the Note to be redeemed, free and clear of any liens or encumbrances of any kind, and (C) in the case of a request made pursuant to SECTION 6.1(b), appropriate evidence of such death and, if made by a representative of a deceased holder, appropriate evidence of authority to make such request. No particular forms of request for redemption or authority to request redemption are necessary (other than those required of a representative of a deceased holder). The price to be paid by the Company for all Notes or portions thereof presented to it pursuant to the provisions described in this ARTICLE 6 is 100% of the principal amount thereof to be redeemed, plus accrued but unpaid interest on such principal amount to the date of payment. Any acquisition of Notes by the Company other than by redemption at the option of any holder pursuant to SECTION 6.1 shall not be included in the computation of Annual Amount Limitations for any period; provided, however, that Notes acquired by the Company by redemption, pursuant to Section 6.1, at the option of a holder that is a Subsidiary, shall not be included in the computation of Annual Amount Limitations for any period.

For purposes of SECTIONS 6.1(a) AND (b) and this SECTION 6.2, (i) a Note held in tenancy by the entirety, joint tenancy or tenancy in common will be deemed to be held by a single holder, (ii) the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a holder,
(iii) a person who is entitled to substantially all of the beneficial interests of ownership of a Note will be deemed to be the holder, if such beneficial interest can be established to the satisfaction of the Trustee, and (iv) the death of such person will be deemed to be the death of the holder, regardless of the registered holder. For purposes of a holder's request for redemption and a request for redemption on behalf of a deceased holder, such beneficial interest shall be deemed to exist in cases of street name or nominee ownership, ownership under the Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife (including individual retirement accounts or Keogh plans maintained solely by or for the holder or decedent, or by or for the holder or decedent and his or her spouse), and trusts and certain other arrangements where a person has substantially all of the power to sell, transfer or otherwise dispose of a Note and the right to receive the proceeds therefrom, as well as interest and principal payable with respect thereto.

In the case of Notes registered in the names of banks, trust companies or broker-dealers who are members of a national securities exchange or the National Association of Securities Dealers, Inc. ("Qualified Institutions"), the $25,000 limitation shall apply to each beneficial owner of Notes held by a Qualified Institution and the death of such beneficial owner shall entitle a Qualified Institution to seek redemption of such Notes as if the deceased beneficial owner were the record holder. Such Qualified Institution, in its request for redemption on behalf of such beneficial owners, must submit evidence, satisfactory to the Trustee, that it holds Notes on behalf of such beneficial owner and must certify that the aggregate amount of requests for redemption tendered by such Qualified Institution

on behalf of each beneficial owner in the initial period or in any subsequent twelve (12) month period does not exceed $25,000.

In the case of any Notes which are presented for redemption in part only, upon such redemption the Company shall execute and the Trustee shall authenticate and deliver to or on the order of the holder of such Notes, without service charge, a new Note(s), of any authorized denomination or denominations as requested by such holder, in aggregate principal amount equal to the unredeemed portion of the principal of the Notes so presented.

Nothing herein shall prohibit the Company from redeeming, in acceptance of tenders made pursuant hereto, Notes in excess of the principal amount that the Company is obligated to redeem, nor from purchasing any Notes in the open market. However, the Company may not use any Notes purchased in the open market as a credit against its redemption obligations hereunder.

6.3 WITHDRAWAL. Any Notes presented for redemption at the option of the holder may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal to the Trustee (A) in cases other than by reason of death of a holder on or prior to the date that is sixty
(60) days prior to the end of the applicable Redemption Period, or (B) prior to the issuance of a check in payment thereof or any other form of payment authorized by the Indenture in the case of Notes presented by reason of the death of a holder.

6.4 REDEMPTION REGISTER. The Trustee shall maintain at its main office a register (the "Redemption Register") in which it shall record, in order of receipt, all requests for redemption received by the Trustee under SECTION
6.2. Unless withdrawn, all such requests shall remain in effect during the period in which they are received and thereafter from period to period, until the Notes which are the subject of such request have been redeemed.

6.5 REDEMPTION UPON FUNDAMENTAL STRUCTURAL CHANGE OR SIGNIFICANT SUBSIDIARY DISPOSITION. In the event that there shall occur a Fundamental Structural Change with respect to the Company, or in the event of an occurrence of a Significant Subsidiary Disposition, then each holder of each series of Notes shall have the right, at the holder's option, to require the Company to redeem such holder's Notes, including any portion thereof which is $1,000 or any integral multiple thereof on the date (the "Repurchase Date") that is seventy-five (75) days after the occurrence of the Fundamental Structural Change or Significant Subsidiary Disposition at the redemption price of 100% of the principal amount thereof or portion thereof plus accrued but unpaid interest to the date of payment, unless on or before the date that is forty (40) days after the occurrence of the Fundamental Structural Change or Significant Subsidiary Disposition, the Notes in such series have received a rating of BBB- or better by Standard & Poor's Corporation or Duff & Phelps Credit Rating Co., Inc. or Baa3 or better by Moody's Investors Service, Inc. (either, a "Required Rating"). Exercise of this redemption option by a holder is irrevocable. The Company's obligation to redeem the Notes pursuant to this SECTION 6.5 shall not be subject to the Annual Amount Limitations.

If a Fundamental Structural Change or Significant Subsidiary Disposition occurs, unless the Notes have received a Required Rating, the Company promptly, but in any event within three (3) business days after expiration of the forty (40) day period referenced above, shall give notice to the Trustee, who shall promptly, but in any event within five (5) days of receipt of notice from the Company, notify the Noteholders, of the occurrence of such Fundamental Structural Change or Significant Subsidiary Disposition, of the date before which a holder must notify the Trustee of such holder's intention to exercise the redemption option, which date shall be not more than three (3) business days prior to the Repurchase Date and of the procedure which such holder must follow to exercise such right. To exercise the redemption, the holder of a Note or Notes must deliver to the Trustee on or before the Repurchase Date: (A) written notice of such holder's election to redeem pursuant to this SECTION 6.5; in form satisfactory to the Trustee, signed by the registered holder(s) or his duly authorized representative and (B) the Note or Notes to be redeemed, free and clear of any liens or encumbrances of any kind.

In the case of any Notes which are presented for redemption in part only, upon such redemption the Company shall execute and the Trustee shall authenticate and deliver to or on the order of the holder of such Notes, without service charge, a new Note(s), of any authorized denomination or denominations as requested by such holder, in aggregate principal amount equal to the unredeemed portion of the principal of the Notes so presented.

6.6 REDEMPTION OF NOTES SUBJECT TO ARTICLE 5. In the case of any Notes or portion thereof which are presented for redemption pursuant to this ARTICLE 6 and which have not been redeemed at the time the Company gives notice of its election to redeem Notes pursuant to ARTICLE 5, such Notes or portion thereof shall first be subject to redemption pursuant to ARTICLE 5 and if any such Notes or portion thereof are not redeemed pursuant to ARTICLE 5 they shall remain subject to redemption pursuant to ARTICLE 6.

ARTICLE 7

REMEDIES OF TRUSTEE AND NOTEHOLDERS UPON DEFAULT

7.1 DEFINITION OF DEFAULT AND EVENT OF DEFAULT. The following events are hereby defined for all purposes of the Indenture and any supplemental indentures (except where the term is otherwise defined for specific purposes) as "Events of Default" (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Failure to pay the principal of or the premium, if any, on any Note as and when the same shall become due and payable at maturity; or

(b) Failure to pay any installment of interest upon any Note as and when the same shall have become due and payable, and continuance of such default for a period of five (5) days; or

(c) Default in the meeting or satisfaction of any redemption payment with respect to any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of five (5) days; or

(d) The entry of a decree or order by a court or regulatory authority having jurisdiction in the premises adjudging the Company or any Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under the Federal Bankruptcy Act or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Company or any Subsidiary, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(e) The institution by the Company or any Subsidiary of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Act or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Company or any Subsidiary, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of action by the Company or any Subsidiary in furtherance of any such action; or

(f) Default in the performance, or breach, of any covenant or warranty of the Company in the Indenture or any supplemental indenture (other than a covenant or warranty a default in whose

performance or whose breach is elsewhere specifically dealt with in this
SECTION 7.1), and continuance of such default or breach for a period of thirty
(30) days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Trustee and the Company by the holders of at least ten percent (10%) in principal amount of the outstanding Notes affected, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(g) An event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of the Company, whether such Indebtedness now exists or shall hereafter be created, shall happen and shall result in such Indebtedness in an aggregate principal amount in excess of $1,000,000 becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled within ten (10) days after written notice to the Company from the Trustee, or to the Trustee and the Company from the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Notes then outstanding.

7.2 TRUSTEE TO GIVE NOTEHOLDERS NOTICE OF DEFAULTS. The Trustee shall, within ninety (90) days after the occurrence thereof, give to (i) the Noteholders, as their names and addresses appear in the Note Register, (ii) such holders of the Notes who have, within the last two (2) years preceding the mailing of such notice, filed their names and addresses with the Trustee for that purpose and (iii) such holders of the Notes whose names and address are provided to the Trustee in accordance with Section 312 of the TIA, notice, by first-class mail, of all defaults known to the Trustee, unless such defaults shall have been cured or waived before the giving of such notice (the term "Defaults" for the purposes of this SECTION 7.2 being hereby defined to be the events specified in subdivisions (a), (b), (c), (d), (e), (f) and (g) of SECTION 7.1 hereof, not including any periods of grace provided for in said subdivisions and irrespective of the mailing of any written demand specified in subdivisions (f) and (g) but in the case of any default as specified in subdivisions (b) and (c) of SECTION 7.1 hereof, no such notice shall be given until at least ten (10) days after the occurrence thereof, and in the case of any default as specified in subdivisions (f) and (g) of SECTION 7.1 hereof, no such notice shall be given until at least thirty (30) days after the occurrence thereof); provided, however, that except in the case of default in the payment of the principal of or the premium, if any, or the interest on any of the Notes, the Trustee shall be protected in withholding such notice if and so long as the board of directors, board of trustees, executive committee, or a trust committee of directors, trustees or Responsible Officers, of the Trustee in good faith determines that the withholding of such notice is in the interests of the Noteholders.

7.3 DECLARATION OF PRINCIPAL AND ACCRUED INTEREST DUE UPON DEFAULT; HOLDERS OF SPECIFIED PERCENTAGE OF NOTES MAY WAIVE DEFAULT DECLARATION. If an Event of Default occurs and is continuing, the Trustee may, and the holders of not less than twenty-five percent (25%) in principal amount of the Notes at the time outstanding under the Indenture may, by notice in writing given to the Company (and to the Trustee if such notice be given by Noteholders) declare the principal of all of the Notes and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; subject, however,

to the right of the holders of a majority in principal amount of all outstanding Notes, by written notice to the Company and to the Trustee thereafter to consent to a waiver of such past Default before any final judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided and if before such judgment or decree all covenants with respect to which Default shall have been made shall be fully performed or made good to the reasonable satisfaction of the Trustee, and all arrears of interest with interest upon overdue installments of interest (to the extent that payment of such interest is enforceable under applicable law) at the interest rate per annum applicable to the Notes and the principal and premium, if any, of all outstanding Notes which shall have become due otherwise than by acceleration under this SECTION 7.3 and all sums paid or advanced by the Trustee hereunder and the reasonable compensation, disbursements, expenses and advances of the Trustee, its agents and attorneys, and all other indebtedness secured hereby, except the principal of any Notes not then due by their terms and except interest accrued on such Notes since the last applicable Interest Payment Date, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto. Such Default and its consequences shall thereupon be deemed to have been cured and such declaration of the maturity of the Notes shall be void and of no further effect, but no such cure shall extend to or affect any subsequent Default or impair any right consequent thereon.

7.4 POWER OF TRUSTEE TO PROTECT AND ENFORCE RIGHTS. Upon the occurrence of one or more Events of Default, the Trustee by such officer or agent as it may appoint in its discretion, with or without entry, may proceed to protect and enforce its rights and the rights of holders of the outstanding Notes by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce any of its rights or duties and the rights of holders of the outstanding Notes.

Upon the written request of the holders of a majority in principal amount of the then outstanding Notes, in case an Event of Default shall have occurred and be continuing as aforesaid, subject to SECTIONS 10.2 and 10.5, it shall be the duty of the Trustee upon being indemnified as provided in
SECTION 7.10, to exercise one or more of the remedies available for the protection and enforcement of its rights and the rights of the Noteholders (including the taking of appropriate judicial proceedings by action, suit or otherwise) as the Trustee shall deem best.

7.5 REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Trustee or the Noteholders is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative, and shall be in addition to every other remedy given hereunder as now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(A) DELAY, ETC. NOT A WAIVER OF RIGHTS. No delay or omission to exercise any right or power accruing upon any Event of Default shall

impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(B) WAIVER OF DEFAULT NOT TO EXTEND TO SUBSEQUENT DEFAULTS. No waiver of any Event of Default whether by the Trustee or by the Noteholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

7.6 HOLDERS OF SPECIFIED PERCENTAGE OF NOTES MAY DIRECT JUDICIAL PROCEEDINGS BY TRUSTEE. The holders of not less than a majority in principal amount of the Notes at the time outstanding hereunder may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any power conferred upon the Trustee; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and this Indenture and the Trustee may take any other action deemed proper by them, or either of them, which is not inconsistent with such direction.

7.7 ACTIONS TAKEN BY TRUSTEE UPON EVENT OF DEFAULT.

(a) PAYMENT OF PRINCIPAL AND INTEREST TO TRUSTEE UPON OCCURRENCE OF CERTAIN DEFAULTS; JUDGMENT MAY BE TAKEN BY TRUSTEE. The Company covenants that (1) in case default shall be made in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and such default shall have continued for a period of two (2) business days, or (2) in case default shall be made in the payment of the principal of, and premium, if any, on, any of the Notes as and when the same shall have become due and payable at maturity, then upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Notes, the whole amount that then shall have become due and payable on all such Notes for principal, and premium, if any, and interest, with interest upon the overdue principal, and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the respective applicable rates borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

In case the Company shall fail to pay the same forthwith upon such demand, the Trustee, in its name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

(b) ENFORCEMENT OF RIGHTS BY TRUSTEE DURING CONTINUANCE OF AN EVENT OF DEFAULT. If an Event of Default occurs and is continuing, the Trustee, may in the exercise of discretion proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate judicial

proceedings as deemed most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

(c) APPLICATION OF MONEYS COLLECTED BY TRUSTEE. Any moneys collected by the Trustee under this ARTICLE 7 shall be applied by the Trustee:

First. To the payment of the costs and expenses reasonably incurred (including any sums due the Trustee) in the proceedings resulting in the collection of such moneys.

Second. To the payment of the amounts then due and unpaid upon the outstanding Notes for principal of and the premium, if any, and the interest on the outstanding Notes, with interest on the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on overdue installments of interest at the interest rate per annum applicable to the particular series of Notes; and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, according to the aggregate of such principal, premium and interest, without preference or priority as to any outstanding series of Notes over any other outstanding series of Notes or of principal, premium, if any, or interest over principal, premium, if any, or interest, or of any installment of interest over any other installment of interest, upon presentation of such Notes and their surrender if fully paid, or for proper notation if only partially paid.

Third. Any surplus thereof remaining to the Company, its successors or assigns or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

7.8 POSSESSION OF NOTES UNNECESSARY IN ACTION BY TRUSTEE. All rights of action and claims under the Indenture or any supplemental indenture or the Notes may be prosecuted and enforced by the Trustee, without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee, shall be brought in its name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the holders of the outstanding Notes in respect of which such judgment has been recovered.

7.9 TRUSTEE MAY FILE NECESSARY PROOFS. The Trustee, (irrespective of whether the principal of any of the Notes shall then be due and payable as therein expressed and irrespective of whether the Trustee shall have made any demand for such payment), may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, and of the Noteholders allowed in any judicial proceedings relative to the Company or its creditors or property. In case of any receivership, insolvency, bankruptcy, reorganization or other similar proceedings affecting the Company or its property, the Trustee, (irrespective of whether the principal of any series of the Notes shall then be due and payable and irrespective of whether the

Trustee shall have made any demand for such payment) shall be entitled and empowered either in its name or as trustee of an express trust or as attorney in fact for the holders of the Notes, or in any one or more of such capacities, to file a proof of claim for the whole amount of principal and interest (with interest upon such overdue principal and, to the extent that payment of such interest is enforceable under applicable law, upon overdue installments of interest at the interest rate per annum applicable to the particular series of Notes) and any premium which may be or become owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Noteholders allowed in any such proceedings and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Noteholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee, any amount due the Trustee, for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee, under SECTION 10.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any holder thereof, or to authorize the Trustee, to vote in respect of the claim of any Noteholder in any such proceeding.

7.10 LIMITATION UPON RIGHT OF NOTEHOLDERS TO INSTITUTE CERTAIN LEGAL PROCEEDINGS. No Noteholder shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Indenture, or for the execution of any trust hereunder, including the appointment of a receiver or trustee, or for any other remedy hereunder, including without limitation the institution of nonjudicial foreclosure proceedings, unless (A) such holder previously shall have delivered to the Trustee written notice that one or more Events of Default, which Events of Default shall be specified in such notice, has occurred and is continuing, and (B) the holders of not less than twenty-five percent (25%) in principal amount of the then outstanding Notes shall have requested the Trustee in writing and shall have afforded to it reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, and
(C) one or more Noteholders shall have offered to the Trustee adequate security and indemnity, satisfactory to it, against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to act on such notification, request and offer of indemnity for at least sixty (60) days and no direction inconsistent with such notification shall have been given to the Trustee by holders of not less than a majority in principal amount of the outstanding Notes; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the exercise of the powers and trusts of this Indenture and to any action or cause of action for foreclosure, including the appointment of a receiver or trustee, or for any other remedy hereunder; it being understood and intended that no Noteholder shall have any right in any manner whatsoever by his action to affect, disturb or prejudice

the rights of any other holder, or obtain or seek to obtain priority or preference over any other holder, or to enforce any right hereunder, except in the manner herein provided to the extent permitted by law, and that all proceedings at law or in equity shall be instituted, had or maintained in the manner herein provided, and for the equal and ratable benefit of all holders of the outstanding Notes.

7.11 RIGHT OF NOTEHOLDER TO RECEIVE AND ENFORCE PAYMENT NOT IMPAIRED. Notwithstanding any other provision of the Indenture, the right of any holder of any Note to receive payment of the principal of, premium, if any, and interest on such Note, on or after the respective Stated Maturities expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective Stated Maturities, shall not be impaired or affected without the consent of such holder, except that no Noteholder may institute any such suit if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver, or loss under this Indenture upon any property subject hereto.

7.12 COURT MAY REQUIRE UNDERTAKING TO PAY COSTS. All parties to the Indenture agree, and each holder of any Note by his or her acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture or in any suit against the Trustee, for any action taken or omitted by it, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but to the extent permitted by law the provisions of this
SECTION 7.12 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Noteholder or group of Noteholders holding in the aggregate more than twenty-five percent (25%) in aggregate principal amount of the outstanding Notes, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of, premium, if any, or interest on any Note on or after the respective Stated Maturities expressed in such Note (or, in the case of redemption, on or after the Redemption Date).

7.13 UNENFORCEABLE PROVISION INOPERATIVE. To the extent that any provision of this ARTICLE 7 may be invalid or unenforceable under any applicable law, such provision shall be deemed inoperative and inapplicable and shall not be included in the terms of the Indenture.

7.14 IF ENFORCEMENT PROCEEDINGS ABANDONED, STATUS QUO IS ESTABLISHED. In case the Trustee or any Noteholder shall have proceeded to enforce any right or remedy under this Indenture, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Noteholder, then and in every such case the Company, the Trustee and the Noteholders, subject to any determination in such proceedings, shall be restored severally and respectively to their former positions and rights hereunder, and thereafter all rights, remedies and powers of the Trustee and Noteholders shall continue as if no such proceedings had been instituted.

7.15 NOTEHOLDERS MAY WAIVE CERTAIN DEFAULTS. The holders of not less than the required percentage in principal amount of the outstanding Notes specified in SECTION 7.3 may on behalf of the holders of all the Notes waive any past Default hereunder and its consequences, except a Default:

(a) in the payment of the principal of (or premium, if any) or interest on any Note, or

(b) in respect of a covenant or provision hereof which under ARTICLE 13 cannot be modified or amended without the consent of the holder of each outstanding Note affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

ARTICLE 8

EVIDENCE OF RIGHTS OF NOTEHOLDERS AND OWNERSHIP OF NOTES

8.1 EVIDENCE OF OWNERSHIP OF DEFINITIVE NOTES AND TEMPORARY NOTES ISSUED HEREUNDER IN REGISTERED FORM. Prior to due presentment for registration of transfer of any Note, the Company, the Trustee, any Note Registrar, or any agent of the Company or the Trustee may deem and treat the person in whose name any Note shall be registered at any given time upon the Note Register as the absolute owner of such Note for the purpose of receiving any payment of, or on account of, the principal, premium, if any, and interest on such Note and for all other purposes whether or not such Note be overdue; and neither the Company nor the Trustee, nor any agent of the Company or the Trustee shall be bound by any notice to the contrary. All such payments made in accordance with the provisions of this SECTION 8.1 shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Note.

ARTICLE 9

CONSOLIDATION, MERGER AND SALE

9.1 COMPANY MAY MERGE, CONSOLIDATE, ETC., UPON CERTAIN TERMS. The Company covenants that it will not merge or consolidate with any other corporation or sell or convey all or substantially all of its assets to any person, firm or corporation, unless (i) either the Company shall be the continuing corporation, or the successor corporation (if other than the Company) shall be a corporation organized under the laws of the United States of America or any State thereof and shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture and any applicable supplemental indenture to

be performed by the Company, by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) the Company or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition.

9.2 SUCCESSOR CORPORATION TO BE SUBSTITUTED. In case of any such consolidation, merger, sale or conveyance, and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the Company, and the Company shall thereupon be released from all obligations hereunder and under the Notes and the Company as the predecessor corporation may thereupon or at any time thereafter be dissolved, wound up or liquidated. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of Litchfield Financial Corporation any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture or any supplemental indenture prescribed, the Trustee shall authenticate and shall deliver any Notes which previously shall have been signed and delivered by the officer or officers of the Company to the Trustee for authentication, and any Notes which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

9.3 ARTICLE 9 SUBJECT TO THE PROVISIONS OF SECTION 6.5. Notwithstanding the foregoing, the transactions contemplated by ARTICLE 9 are subject to the redemption provisions of SECTION 6.5, if applicable.

ARTICLE 10

CONCERNING THE TRUSTEE

10.1 REQUIREMENT OF CORPORATE TRUSTEE, ELIGIBILITY. There shall at all times be a Trustee hereunder which shall be a banking corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $60,000,000 subject to supervision or examination by Federal or State authority, or any affiliate of such a banking corporation, which also is a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $10,000,000 subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this

SECTION 10.1 the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this SECTION 10.1, it shall resign immediately in the manner and with the effect hereinafter specified in this ARTICLE 10.

10.2 ACCEPTANCE OF TRUST. The Trustee accepts the trusts hereby created upon the terms and conditions in this Indenture and any supplemental indenture(s) specified, to all of which the Company and the holders of outstanding Notes by their acceptance thereof agree:

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and any supplemental indenture(s), and no implied covenants or obligations shall be read into this Indenture or any supplemental indenture(s) against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to it, and conforming to the requirements of this Indenture and any supplemental indenture(s); but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture and any supplemental indenture(s).

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and any supplemental indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture or any supplemental indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subdivision shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it shall be proved that the Trustee was negligent in ascertaining pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders

of not less than a majority in principal amount of the Notes at the time outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or any supplemental indenture;

(4) none of the provisions contained in this Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers; and

(5) the permissive right of the Trustee to do things enumerated in this Indenture and any supplemental indenture(s) shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default.

(d) Whether or not therein expressly so provided, every provision of this Indenture and any supplemental indenture(s) relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

10.3 DISCLAIMER. The recitals contained herein, in the Notes and in any supplemental indenture (except as contained in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture, any supplemental indenture or of the Notes issued hereunder. The Trustee shall be under no responsibility or duty with respect to the disposition of any Notes authenticated and delivered hereunder or the application or use of the proceeds thereof or the application or use of any moneys paid to the Company under any of the provisions hereof.

10.4 TRUSTEE MAY OWN NOTES. The Trustee, the paying agent, the Note Registrar or any Note Co-Registrar or other agent of the Company or of the Trustee may become the owner or pledgee of Notes and, subject to SECTIONS 10.9 and 10.10, if operative, may otherwise deal with the Company with the same rights it would have if it were not a Trustee, paying agent, Note Registrar, Note Co-Registrar or other agent of the Company or of the Trustee.

10.5 TRUSTEE MAY RELY ON CERTIFICATES, ETC. To the extent permitted by SECTION 10.2 hereof:

(a) The Trustee may conclusively rely and shall be protected in acting upon any resolution, certificate, opinion, notice, request, consent, order, appraisal, report, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) The Trustee may consult with counsel of its selection, who may be of counsel to the Company, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in reliance thereon;

(c) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Certified Resolution;

(d) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith, rely upon an Officers' Certificate;

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the holders pursuant to this Indenture, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred, as the case may be, in compliance with such request or direction;

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any such document set forth in SECTION 10.5 (a), but the Trustee, in its exercise of discretion, may make such further inquiry or investigation into such facts or matters as may seem necessary, and, if the Trustee shall determine to make such further inquiry or investigation, the Trustee shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care hereunder; and

(h) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(i) Except with respect to Sections 7.1(a), (b) or (c) or the Company's failure to give notice as required by the terms of the Indenture to the Trustee, the Trustee shall not be charged with knowledge of any Event of Default with respect to the Notes unless either (1) a Responsible Officer of the Trustee shall have actual knowledge of the Event of Default or (2) written notice of such Event of Default shall have been given to a Responsible Officer of the Trustee by the Company or any other obligor on the Notes or by any Noteholder and such notice references the Notes and this Indenture and any applicable supplemental indenture.

10.6 MONEY HELD IN TRUST NOT REQUIRED TO BE SEGREGATED. Subject to the provisions of SECTION 15.2 hereof, all moneys received by the Trustee hereunder or in respect of the Notes shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law.

10.7 COMPENSATION, REIMBURSEMENT, INDEMNITY, SECURITY. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, such compensation as separately agreed in writing for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of all services rendered hereunder and under any supplemental indenture(s), which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and except as otherwise expressly provided herein, the Company will upon request of the Trustee reimburse the Trustee for all reasonable advances made or incurred by the Trustee in accordance with any provision of this Indenture or any supplemental indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel, except any such expense or disbursement as may be attributable to negligence or bad faith). The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending against any claim or liability in connection with the exercise or performance of any of the powers or duties hereunder.

If, and to the extent that the Trustee and its counsel and other agents do not receive compensation for services rendered, reimbursements of its advances, expenses and disbursements, or indemnity, as herein provided, as the result of allowances made in any reorganization, bankruptcy, receivership, liquidation or other proceeding or by any plan of reorganization or readjustment of obligations of the Company, the Trustee shall be entitled, in priority to the holders of the Notes, to receive any distributions of any securities, dividends or other disbursements which would otherwise be made to the holders of Notes in any such proceeding or proceedings and the Trustee is hereby constituted and appointed, irrevocably, the attorney in fact for the holders of the Notes and each of them to collect and receive, in their name, place and stead, such distributions, dividends or other disbursements, to deduct therefrom the amounts due to the Trustee, its counsel and other agents on account of services rendered, advances, expenses, and disbursements made or incurred, or indemnity, and to pay and distribute the balance, pro rata, to the holders of the Notes.

As security for the performance of the obligations of the Company under this SECTION 10.7, the Trustee shall have a lien prior to the Notes upon all property and funds held or collected by the Trustee or any predecessor Trustee as such, except funds expressly designated and held in trust for the payment of principal of, premium, if any, or interest on the Notes. The Trustee's right to receive payment of any amounts due under this SECTION 10.7 shall not be subordinate to any other liability or indebtedness of the Company.

10.8 CONFLICT OF INTEREST.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this SECTION 10.8, the Trustee shall within ninety (90) days after ascertaining that there is such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect hereinafter specified in this ARTICLE 10.

(b) In the event that the Trustee shall fail to comply with the provisions of the preceding subsection (a) of this SECTION 10.8, the Trustee shall within ten (10) days after the expiration of such ninety (90) day period transmit notice of such failure to the Noteholders by first-class mail, postage prepaid, to each holder of Notes at his last address appearing in the Note Register.

(c) For the purposes of this Section, the Trustee shall be deemed to have a conflicting interest if there is an Event of Default (as defined in SECTION 7.1 but exclusive of any grace period or notice requirement) and:

(1) the Trustee is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company, are outstanding unless such other indenture is a collateral trust indenture under which the only collateral consists of Notes issued under this Indenture; provided, however, that there shall be excluded from the operation of this clause (1) any indenture under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under this Indenture and such other indenture is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture or such other indenture or indentures;

(2) the Trustee or any of the directors or executive officers of the Trustee is an obligor upon the Notes or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of the directors or executive officers of the Trustee is a director, officer, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee) for the Company who is currently engaged in the business of underwriting, except that (a) one (1) individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company, but may not be at the same time an executive officer of the Trustee and the Company; (b) if and so long as the number of directors of any Trustee in office is more than nine (9), one (1) additional individual may be a director or an executive officer, or both, of such Trustee and a director of the Company; and (c) the Trustee may be designated by the Company or by an underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent or depositary or in any other similar capacity or, subject to the provisions of paragraph (1) of this subsection (c), to act as trustee, whether under an indenture or otherwise;

(5) ten percent (10%) or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, or executive officer thereof, or twenty percent (20%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such persons; or ten percent (10%) or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director or executive officer thereof, or is beneficially owned, collectively, by any two (2) or more such persons;

(6) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default (as hereinafter in this subsection (c) of this
SECTION 10.8 defined), (a) five percent (5%) or more of the voting securities or ten percent (10%) or more of any other class of security of the Company, not including the Notes issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or
(b) ten percent (10%) or more of any class of securities of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this subsection (c) of this
SECTION 10.8 defined), five percent (5%) or more of the voting securities of any person who, to the knowledge of the Trustee owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default (as hereinafter in this subsection (c) of this
SECTION 10.8 defined), ten percent (10%) or more of any class of securities of any person who, to the knowledge of the Trustee owns fifty percent (50%) or more of the voting securities of the Company;

(9) the Trustee owns on the date of any Default on the Notes, or any anniversary of such Default so long as such Default remains uncured in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of twenty-five percent (25%) or more of the voting securities or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under clause (6), (7) or (8) of this subsection (c). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply for a period of two (2) years from the date of such acquisition, to the extent that such securities included in such estate do not exceed twenty-five percent (25%) of such voting securities or twenty-five percent (25%) of any such class of security. Promptly after the dates of any Default on the Notes and annually in each succeeding year that the Notes remain in Default, the Trustee shall make a check of its or his holdings of such securities in any of the above-mentioned capacities as of the anniversary of such Default. If the Company fails to make payment in full of principal or interest upon the Notes when and as the same becomes due and payable, and such failure continues for thirty (30) days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such thirty-day period and after such date, notwithstanding the foregoing provisions of this clause (9), all such securities so held by the Trustee with sole or joint control over such securities vested in it or him, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of clauses (6), (7) and (8) of this subsection (c); or

(10) the Trustee shall be or become a creditor of the Company (except under the circumstances described under paragraphs (1), (3), (4), (5) or (6) of Section 311(b) of the TIA).

The specifications of percentages in clauses (5) to (9), inclusive, of this subsection (c) shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of clause

(3) or (7) of this subsection (c).

For the purposes of clauses (6), (7), (8) and (9) of this subsection
(c) only, (a) the terms "security" and "securities" shall include only such securities as are generally known as corporate

securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms or any certificate of interest or participation in any such note or evidence of indebtedness,
(b) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for thirty (30) days or more and shall not have been cured; and
(c) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for an obligation which is not in default as above defined, or (ii) any security which it holds as collateral security under this Indenture, irrespective of any Default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

(d) The percentages of voting securities and other securities specified in this SECTION 10.8 shall be calculated in accordance with the following provisions:

(1) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this SECTION 10.8 (each of whom is referred to as a "person" in this subsection (d)) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(2) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(3) The term "amount," when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(4) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; or

(iv) securities held in escrow if placed in escrow by the issuer thereof;

provided, however, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; provided, however, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes; and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

(e) For the purposes of this SECTION 10.8, unless otherwise provided:

(1) The term "underwriter" when used with reference to the Company means every person, who, within three
(3) years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or has sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" means any director of a corporation, or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this clause, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" means any obligor upon the Notes.

(6) The term "executive officer" means the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

10.9 RESIGNATION, REMOVAL, APPOINTMENT OF SUCCESSOR TRUSTEE.

(a) No resignation or removal of the Trustee, and no appointment of a successor Trustee pursuant to this ARTICLE 10 shall become effective until the acceptance of appointment by the successor Trustee under this SECTION 10.9 and SECTION 10.10.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by act of the holders of a majority in principal amount of the outstanding Notes, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of removal, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(1) the Trustee shall fail to comply with
SECTION 10.8 after written request therefor by the Company or by any Noteholder who has been a bona fide holder of a Note for at least six (6) months,

(2) the Trustee shall cease to be eligible under
SECTION 10.1 and shall fail to resign after written request therefor by the Company or by any such Noteholder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (a) the Company by a Certified Resolution may remove the Trustee or (b) subject to SECTION 7.13, any Noteholder who has been a bona fide holder of a Note for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, the Company, by a Certified Resolution, shall promptly appoint a successor Trustee. If, within one (1) year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the holders of a majority in principal amount of the outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Noteholders and accepted appointment in the manner hereinafter provided, any Noteholder who has been a bona fide holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of a Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the holders of Notes in the manner and to the extent provided in SECTION 4.3. Each notice shall include the name of the successor Trustee and address of the main office of the successor Trustee.

10.10 ACCEPTANCE BY SUCCESSOR TRUSTEE. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the respective successor Trustee, the respective retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such respective successor Trustee all the rights, powers and trusts of the retiring respective Trustee, and shall duly assign, transfer and deliver to such respective successor Trustee all property and money held by such respective retiring Trustee hereunder. Upon request of any such respective successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this ARTICLE 10 to the extent operative.

10.11 CASH, SECURITIES, ETC. TO BE HELD BY TRUSTEE. Whenever any moneys, debentures, shares of stock or other obligations are, under any provisions of this Indenture or any supplemental indenture, paid or delivered to or deposited with the Trustee, the same shall be deemed for all purposes hereunder to be part of the security for the Notes issued hereunder, but nothing contained in this SECTION 10.11 shall be deemed to affect or impair any power or right conferred by any provision of this Indenture or any supplemental indenture upon the Trustee to apply, disburse or otherwise act or deal with respect to any moneys, debentures, shares of stock or other obligations received or held by it as aforesaid.

10.12 MERGER OR CONSOLIDATION OF TRUSTEE. Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee shall be the successor of the Trustee hereunder provided such corporation shall be otherwise qualified and eligible under this ARTICLE 10, to the extent operative, without the execution or filing of any paper or the performance of any further act on the part of any other parties hereto, anything herein to the contrary notwithstanding. In case any of the Notes shall have been authenticated, but not delivered, by the Trustee then in office, any such successor to the Trustee by merger, conversion or consolidation may adopt such authentication and deliver the said Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

10.13 AUTHENTICATING AGENT. As long as any of the Notes remain outstanding, upon a Company Order there shall be an authenticating agent appointed by the Trustee for such period as the Company shall elect, to act on behalf of the Trustee and subject to its direction in connection with the authentication of the Notes as set forth in this Indenture and any supplemental indenture(s). Such authenticating agent shall at all times be a banking corporation organized and doing business under the laws of the United States or any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $60,000,000 subject to supervision or examination by Federal or State authority, or an affiliate of such banking corporation, which is also a corporation organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $10,000,000 subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this SECTION 10.13 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Whenever reference is made in this Indenture or any supplemental indenture to the authentication and delivery of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an

authenticating agent and a certificate of authentication executed on behalf of the Trustee by an authenticating agent.

Any corporation in which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any authenticating agent shall be a party, or any corporation succeeding to the corporate agency business of any authenticating agent, shall continue to be the authenticating agent without the execution or filing of any paper or any further act on the part of the Trustee or the authenticating agent.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible in accordance with the provisions of this SECTION 10.13, the Trustee promptly shall appoint a successor authenticating agent, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all holders of Notes as the names and addresses of such holders appear on the Note Register. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers, duties and responsibilities of its predecessor hereunder. No successor authenticating agent shall be appointed unless eligible under the provisions of this SECTION 10.13.

The Trustee agrees to pay to the authenticating agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments from the Company subject to the provisions of SECTION 10.7. The provisions of SECTIONS 8.1, 10.3 and 10.4 shall be applicable to any authenticating agent.

ARTICLE 11

DISCHARGE OF INDENTURE

11.1 ACKNOWLEDGMENT OF DISCHARGE. Unless otherwise specified in a supplemental indenture as contemplated by SECTION 2.1 with respect to any series of Notes, the Company may terminate its obligations under this Indenture and any supplemental indenture(s) with respect to any series of Notes (except as to any surviving rights of registration of transfer or exchange of Notes expressly provided for in this Indenture or any supplemental indenture and rights to receive payments of interest thereon), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction, cancellation and discharge of such series of Notes, when

(a) either

(1) all Notes in such series theretofore authenticated and delivered other than (a) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in
SECTION 2.10, and (b) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in SECTION 15.2 have been delivered to the Trustee for cancellation; or

(2) all Notes in such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one (1) year, or

(iii) are to be called for redemption within one
(1) year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee, as trust funds in trust for the purpose, an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal, and premium, if any, and interest to the date of such deposit (in the case of Notes which have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of its obligations under this Indenture and the applicable supplemental indenture with respect to such series of Notes have been complied with.

Notwithstanding the satisfaction and discharge of the obligations under this Indenture and the applicable supplemental indenture with respect to any series of Notes, the obligations of the Company to the Trustee under
SECTION 10.7 shall survive.

11.2 MONEY HELD IN TRUST. All money deposited with the Trustee pursuant to SECTION 11.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture and any supplemental indenture, to the payment, either directly or through any paying

agent (including the Company acting as its own paying agent), as the Trustee may determine, to the persons entitled thereto, of the principal, and premium, if any, and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law. The Trustee shall give notice in the name and at the expense of the Company of the immediate availability of the money deposited with the Trustee pursuant to SECTION 11.1 to the persons entitled to such money.

ARTICLE 12

MEETING OF NOTEHOLDERS

12.1 PURPOSES FOR WHICH MEETINGS MAY BE CALLED. A meeting of the Noteholders may be called at any time and from time to time pursuant to the provisions of this ARTICLE 12 for any of the following purposes:

(a) To give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any Event of Default hereunder and its consequences, or to take any other action authorized to be taken by the Noteholders pursuant to any of the provisions of ARTICLE 7;

(b) To remove the Trustee and appoint a successor trustee pursuant to any of the provisions of ARTICLE 10;

(c) To consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of ARTICLE 13; or

(d) To take any other action authorized to be taken by or on behalf of Noteholders of any specified aggregate principal amount of the Notes under any other provisions of this Indenture, or authorized or permitted by law.

12.2 CALL OF MEETINGS BY TRUSTEE; GENERALLY. Meetings of Noteholders may be held at such place or places and at such time or times in any place as the Trustee or, in case of its failure to act, the Company or the Noteholders calling the meeting, shall from time to time determine.

12.3 CALL OF MEETINGS BY TRUSTEE; NOTICE. The Trustee may at any time call a meeting of the Noteholders to take any action specified in
SECTION 12.1, to be held at such time and at such place designated in
SECTION 12.2 as the Trustee shall determine. Notice of every meeting of the Noteholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, and specifying each series of Notes which would be affected by the proposed action, shall be mailed by the Trustee at the expense of the Company, first class postage prepaid, to the Noteholders at their last addresses as they shall appear upon the Note Register, not less than twenty (20) nor more than one hundred twenty (120) days prior to the date

fixed for the meeting. Any defect in said notice shall not, however, in any way impair or affect the validity of any such meeting.

The Trustee may in its discretion determine, subject to the meaning of the term "affected" as set forth in SECTION 13.2(C), whether or not Notes of any particular series would be affected by action proposed to be taken at a meeting and any such determination shall be conclusive upon the holders of Notes of such series and all other series. Subject to the provisions of SECTION 10.2, the Trustee shall not be liable for any such determination made in good faith.

Any meeting of the Noteholders shall be valid without notice if Noteholders, holding all Notes then outstanding, which would be affected by the action proposed to be undertaken, are present in person or by proxy or have waived notice before or after the meeting by Noteholders, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

In case at any time the Company, pursuant to a Certified Resolution, or Noteholders holding at least ten percent (10%) in aggregate principal amount of the Notes then outstanding, which would be affected by the action proposed to be undertaken, shall have requested the Trustee to call a meeting of the Noteholders to take any action authorized by SECTION 12.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within twenty (20) days after receipt of such request, then the Company or Noteholders holding the amount above specified may determine the time and the place for such meeting and may call such meeting for such purpose by giving notice thereof in the manner provided in this SECTION 12.3.

12.4 MEETINGS, NOTICE AND ENTITLEMENT TO BE PRESENT. Only Noteholders holding Notes which would be affected by the action proposed to be undertaken, and persons appointed by an instrument in writing as proxy for such a Noteholder by such a Noteholder are entitled to notice of and to vote at any meeting of the Noteholders. The only persons who shall be entitled to be present or to speak at any meeting of the Noteholders shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel, and any representatives of the Company and its counsel.

12.5 REGULATIONS MAY BE MADE BY TRUSTEE. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Noteholders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

Such regulations (a) may provide for the closing of the Note Register for such period as the Trustee may deem necessary or (b) may fix a record and time for determining the record Noteholders of the Notes entitled to vote at such meeting. All Noteholders seeking to attend or vote at a meeting

in person or by proxy must, if required by any authorized representative of the Trustee or the Company or by any other Noteholder, produce the Notes claimed to be owned or represented at such meeting, and every one seeking to attend or vote shall, if required as aforesaid, produce such further proof of Note ownership or personal identity as shall be satisfactory to the authorized representative of the Trustee, or if none be present then to the inspectors of votes as hereinafter provided.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by the Noteholders as provided in SECTION 12.3, in which case the Company or the Noteholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting may be elected by vote of Noteholders holding a majority in principal amount of the Notes represented at the meeting and entitled to vote.

At any meeting each Noteholder or proxy shall be entitled to one vote for each $1,000 principal amount of Notes then outstanding owned by such Noteholder or represented by such proxy; provided, however, that no vote shall be cast or counted at any meeting in respect of any Notes challenged as not outstanding and ruled by the temporary or permanent chairman of the meeting to be not outstanding. The temporary or permanent chairman of the meeting shall have no right to vote other than by virtue of Notes held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Noteholders.

At any meeting of Noteholders, the presence of persons holding or representing Notes in an aggregate principal amount sufficient under the appropriate provision of this Indenture to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of holders duly called pursuant to SECTION 12.3 may be adjourned from time to time by vote of the holders (or proxies for the holders) of a majority in aggregate principal amount of the Notes represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

12.6 MANNER OF VOTING AT MEETINGS AND RECORD TO BE KEPT. The vote upon any resolution submitted to any meeting of the Noteholders shall be by written ballots on which shall be subscribed the signatures of the Noteholders or of their representatives by proxy and the principal amount of the Notes voted by the ballot. The temporary or permanent chairman of the meeting shall appoint two (2) inspectors of votes, who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record at least in duplicate of the proceedings of each meeting of the Noteholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one (1) or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in SECTION 12.3. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one copy thereof shall be delivered to the Company and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

12.7 EVIDENCE OF ACTION BY HOLDERS OF SPECIFIED PERCENTAGE OF NOTES. Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Notes of any series may take any action (including the making of any demand or request, the giving of any notice, consent, or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (A) by any instrument or any number of instruments of similar tenor executed by holders in person or by agent or proxy appointed in writing, or (B) by the record of the holders of Notes voting in favor thereof at any meeting of holders duly called and held in accordance with the provisions of this ARTICLE 12, or (C) by a combination of such instrument or instruments and any such record of such a meeting of holders.

12.8 EXERCISE OF RIGHT OF TRUSTEE OR NOTEHOLDERS MAY NOT BE HINDERED OR DELAYED BY CALL OF MEETING OF NOTEHOLDERS. Nothing in this ARTICLE 12 contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of the Noteholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Noteholders under any of the provisions of this Indenture or of the Notes.

ARTICLE 13

SUPPLEMENTAL INDENTURES

13.1 PURPOSES FOR WHICH SUPPLEMENTAL INDENTURES MAY BE EXECUTED BY COMPANY AND TRUSTEE. Without the consent of the holders of any Notes, the Company and the Trustee may at any time and from time to time, enter into an indenture or indentures supplemental hereto, in form satisfactory to the Trustee, for one or more of the following purposes:

(a) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to ARTICLE 9 hereof;

(b) To add to the covenants of the Company such further covenants for the protection of the Noteholders, to insure the enforcement of the remedies of the Trustee and Noteholders upon an Event of Default by the Company, or to surrender any right or power herein conferred upon the Company as the Board of Directors shall consider to be necessary for the protection of the Noteholders, and to make the occurrence and continuance of a default under any of such additional covenants a Default permitting the enforcement of all or any of the several remedies provided in this Indenture; provided, however, that in respect of any such additional covenant, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other Defaults) or may provide for an immediate enforcement of said remedy or

remedies upon such default or may limit the remedies available to the Trustee upon such default or may authorize the holders of not less than a majority in aggregate principal amount of the outstanding Notes to waive such default and prescribe limitations on such rights of waiver;

(c) To cure any ambiguity or to correct or supplement any provision contained in this Indenture which may be inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture as shall not be inconsistent with the provisions and purposes of this Indenture, provided any such action shall not adversely affect the interest of the Noteholders; or

(d) to provide for the creation of any series of Notes.

Nothing contained in this ARTICLE 13 shall affect or limit the right or obligation of the Company to execute and deliver to the Trustee any instrument of further assurance or other instrument which elsewhere in this Indenture or any supplemental indenture it is provided shall be delivered to the Trustee.

The Trustee is hereby authorized and directed to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be herein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which, in its opinion, does not afford adequate protection to the Trustee or adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise or adversely affects the interests of the Noteholders.

13.2 MODIFICATION OF INDENTURE BY WRITTEN CONSENT OF NOTEHOLDERS.

(a) With the consent (evidenced as provided in ARTICLE 12) of the holders of not less than sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Notes then outstanding, by Act of said holders delivered to the Company (when authorized by a Certified Resolution) and the Trustee, the Company and the Trustee at any time and from time to time, by entering into an indenture or indentures supplemental hereto, may modify, alter, add to or eliminate in any manner (with the approval of any governmental agency if required by law) any provisions of this Indenture, any applicable supplemental indenture or the rights of the Noteholders or the rights and obligations of the Company; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the holder of each outstanding Note affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon redemption thereof, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such

payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or impair the right to require redemption as set forth in SECTION 6.5;

(2) reduce the percentage(s) of the aggregate principal amount of outstanding Notes, the consent of the holders of which is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Indenture or certain Defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this SECTION 13.2, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each Note of such series affected thereby.

(b) With respect to changes affecting one or more, but less than all, series of Notes then outstanding, with the consent (evidenced as provided in ARTICLE 12) of the holders of not less than sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Notes of such affected series then outstanding, by Act of said holders delivered to the Company and the Trustee, the Company and the Trustee at any time and from time to time, by entering into an indenture or indentures supplemental hereto, may modify, alter, add to or eliminate in any manner (with the approval of any governmental agency if required by law) any provisions of this Indenture, any applicable supplemental indenture or the rights of such Noteholders or the rights and obligations of the Company; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the holder of each outstanding Note of such series affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note of such series, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon redemption thereof, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or impair the right to require redemption as set forth in SECTION 6.5;

(2) reduce the percentage(s) of the aggregate principal amount of outstanding Notes of such series, the consent of the holders of which is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Indenture or certain Defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this SECTION 13.2, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each Note of such series affected thereby.

(c) Notes shall be deemed to be "affected" by a supplemental indenture, if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against the property of the Company. The Trustee may in the exercise of its discretion, subject to SECTION 10.2, determine whether or not any Notes would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of all Notes, whether theretofore or thereafter authenticated and delivered hereunder. It shall not be necessary for any Act of Noteholders under this SECTION 13.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof. Any supplemental indenture authorized by the provisions of this SECTION 13.2 shall be executed by the Company and the Trustee in accordance with the terms of SECTION 13.3. Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of SECTION 13.3, the Company shall mail to the holders of the Notes at their last addresses as they shall appear on the Note Register of the Company a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

13.3 REQUIREMENTS FOR EXECUTION; DUTIES AND IMMUNITIES OF TRUSTEE. Prior to the execution of any supplemental indenture, the Trustee shall receive a Company Request, accompanied by a Certified Resolution authorizing the execution of any supplemental indenture pursuant to SECTION 13.1 or SECTION 13.2, and, if pursuant to SECTION 13.2, evidence filed with the Trustee as aforesaid.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to SECTION 10.2 shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and stating such other matters as the Trustee may reasonably request. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's rights, duties or immunities under this Indenture or otherwise.

13.4 SUPPLEMENTAL INDENTURES PART OF INDENTURE. Upon the execution of any supplemental indenture pursuant to the provisions of this ARTICLE 13, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith and the respective rights, limitations, duties and obligations under this Indenture of the Company, the Trustee and the Noteholders, and each of them, shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be, and shall be deemed to be, part of the terms and conditions of this Indenture for any and all purposes, as if originally contained herein.

13.5 NOTES EXECUTED AFTER SUPPLEMENTAL INDENTURE TO BE APPROVED BY TRUSTEE. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this ARTICLE 13 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee, as to any matter provided for in such supplemental indenture. If the

Company and the Trustee shall so determine, new Notes modified so as to conform, in the opinion of the Trustee and the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Company, authenticated by the Trustee and delivered without expense to the holders of the outstanding Notes, upon surrender of such Notes, the new Notes so issued to be in an aggregate principal amount equal to the aggregate principal amount of those so surrendered.

13.6 SUPPLEMENTAL INDENTURES REQUIRED TO COMPLY WITH TRUST INDENTURE ACT OF 1939. No supplemental indenture shall be entered into pursuant to any authorization contained in this Indenture which shall not comply with the provisions of the Trust Indenture Act of 1939 as then in effect.

ARTICLE 14

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

14.1 IMMUNITY OF CERTAIN PERSONS. No recourse for the payment of the principal of or premium, if any, or interest on any Note, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, contained in this Indenture or in any supplemental indenture, or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 15

MISCELLANEOUS

15.1 BENEFITS RESTRICTED TO PARTIES AND TO HOLDERS OF NOTES. Except as provided herein, nothing in this Indenture or any supplemental indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person other than the parties hereto and the holders of the Notes outstanding hereunder any right, remedy, or claim under or by reason of this Indenture or any supplemental indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements contained in this Indenture and in any supplemental indenture by and on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto and thereto, and of the holders of the Notes outstanding hereunder and thereunder.

15.2 DEPOSITS FOR NOTES NOT CLAIMED FOR SPECIFIED PERIOD TO BE RETURNED TO COMPANY ON DEMAND. Any moneys deposited with the Trustee or any paying agent, or then held by the Company, in trust for the payment of the principal of, and premium, if any, or interest on any Note and remaining unclaimed for six (6) years after the date upon which the principal of and premium, if any, or interest on such Notes shall have become due and payable, shall be paid to the Company upon Company Request, or, if then held by the Company, shall be discharged from such trust; and the holder shall thereafter, as an unsecured general creditor, be entitled to look only to the Company for payment thereof, and all liability of the Trustee or any paying agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that, before being required to make any such payment to the Company, the Trustee, or any paying agent, may, at the expense of the Company, cause to be published once in a daily newspaper in such areas as the Trustee, or any paying agent, as the case may be, may deem necessary a notice that such moneys remain unclaimed and that, after a date named in said notice, the balance of such moneys then unclaimed will be returned to the Company.

15.3 FORMAL REQUIREMENTS OF CERTIFICATES AND OPINIONS HEREUNDER.

(a) Each certificate or opinion which is specifically required by the provisions of this Indenture or any supplemental indenture to be delivered to the Trustee with respect to compliance with a condition or covenant herein contained shall include (1) a statement that each person signing such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinions are based; (3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not in the opinion of each such person such condition or covenant has been complied with.

(b) Every request or application by the Company for action by the Trustee shall be accompanied by an Officers' Certificate stating that all conditions precedent, if any, to such action, provided for in this Indenture and any supplemental indenture (including any covenants compliance with which constitutes a condition precedent) have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all conditions precedent, if any, to such action, provided for in this Indenture and any supplemental indenture (including any covenants compliance with which constitutes a condition precedent) have been complied with, except that in the case of any such request or application as to which the furnishing of such documents is specifically required by any provision of this Indenture or any supplemental indenture relating to such particular request or application, no additional certificate or opinion need be furnished.

(c) In any case where several matters are required to be certified by, or covered by an opinion of, any specified person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered

by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents.

15.4 EVIDENCE OF ACT OF THE NOTEHOLDERS. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture or any supplemental indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and any supplemental indenture and (subject to
SECTION 10.2) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, or by a fiduciary, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

Any request, demand, authorization, direction, notice, consent, waiver or other action by the holder of any Note shall bind every future holder to the same Note and the holder of every Note issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

15.5 PARTIES TO INCLUDE SUCCESSORS AND ASSIGNS. Subject to the provisions of ARTICLES 9 AND 10 hereof, whenever in this Indenture or any supplemental indenture any of the parties hereto is named or referred to, such name or reference shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Indenture and any supplemental indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

15.6 IN EVENT OF CONFLICT WITH TRUST INDENTURE ACT OF 1939, PROVISIONS THEREIN TO CONTROL. If any provision of this Indenture or any supplemental indenture limits, qualifies or conflicts with another provision of this Indenture or any supplemental indenture required to be included herein by

any of the provisions of the Trust Indenture Act of 1939 such required provision shall control. Provisions required by said Trust Indenture Act to be included herein and in any supplemental indenture which are not included herein or therein are hereby incorporated herein and therein by reference to said Trust Indenture Act.

15.7 REQUEST, NOTICES, ETC. TO TRUSTEE. Any request, demand, authorization, direction, notice, consent, waiver or act of the Noteholders or other document provided or permitted by this Indenture and in any supplemental indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Noteholder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing, first class, postage prepaid, to or with a Responsible Officer of the Trustee at its main office, or

(b) the Company by the Trustee or by any Noteholders shall be sufficient for every purpose hereunder (except as herein otherwise provided) if in writing and mailed, first-class, postage prepaid, to the Company addressed to it at 430 Main Street, P.O. Box 488, Williamstown, MA 01267, or at any other address furnished in writing to the Trustee by the Company.

15.8 MANNER OF NOTICE. Where this Indenture or any supplemental indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid, to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given.

Where this Indenture or any supplemental indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee, but such filing shall not be condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture or any supplemental indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

15.9 SEVERABILITY. In case any provision in this Indenture, any supplemental indenture, or any of the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

15.10 PAYMENTS DUE ON DAYS WHEN BANKS CLOSED. In any case where the date of any Interest Payment Date or Redemption Date, or the Stated Maturity of any Note, or any date on which any Defaulted Interest is proposed to be paid or any date on which any other payment is to be made or any action is to be taken shall not be a business day, then (notwithstanding any other provision of any of the Notes or this Indenture or any supplemental indenture) payment of the principal of, and premium, if any, or interest on, any Notes or other payment or action need not be made or taken on such date, but may be made or taken on the next succeeding business day with the same force and effect as if made on the nominal date of any such Interest Payment Date or Redemption Date or Stated Maturity or date for the payment of Defaulted Interest or date for any other payment or action, as the case may be, and no interest shall accrue for the period from and after any such nominal date.

15.11 BACKUP WITHHOLDING FORMS. The Company shall provide the Trustee with Backup Withholding Forms prescribed by the Internal Revenue Service and shall indemnify the Trustee for any penalties, expenses, costs and liabilities assessed against the Trustee for using improper forms.

15.12 TITLES OF ARTICLES OF THIS INDENTURE NOT PART THEREOF. The titles of the several Articles of this Indenture and the table of contents shall not be deemed to be any part hereof.

15.13 EXECUTION IN COUNTERPARTS. This Indenture is being executed in several counterparts, each of which shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

15.14 GOVERNING LAW. This Indenture and each Note issued hereunder shall be governed by the laws of the State of New York as to all matters affecting the duties, liabilities, privileges, rights and obligations of the Noteholders, the Company and the Trustee and any agents of the foregoing, including but not limited to, matters of validity, construction, effect and performance.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, LITCHFIELD FINANCIAL CORPORATION has caused its name to be hereunto affixed, and this instrument to be signed by its Chairman of the Board, President or any Vice President and its corporate seal to be affixed hereto, and the same to be attested by its Secretary or Clerk; and THE BANK OF NEW YORK, in token of its acceptance of the trust hereby created, has caused its corporate name to be hereunto affixed, and this instrument to be signed by one of its authorized signatories, as of the day and year first written above.

LITCHFIELD FINANCIAL CORPORATION

ATTEST:

By: /s/ Richard A. Stratton
Name: Richard A. Stratton
Title: President and Chief Executive Officer

/s/ Heather A. Sica
Attesting Officer

[Seal]

THE BANK OF NEW YORK

By: /s/ Michael Culhane
Name: Michael Culhane
Title: Vice-President

EXHIBIT 5.1

COUNSELLORS AT LAW

HUTCHINS, WHEELER & DITTMAR
A PROFESSIONAL CORPORATION

101 FEDERAL STREET, BOSTON, MASSACHUSETTS 02110
TELEPHONE: 617-951-6600 FACSIMILE: 617-951-1295

July 15, 1998

Litchfield Financial Corporation
430 Main Street
Williamstown, Massachusetts 01267

Ladies and Gentlemen:

In connection with the registration under the Securities Act of 1933, as amended, of an aggregate of up to $100,000,000 in principal amount of notes (the "Notes") of Litchfield Financial Corporation, a Massachusetts corporation (the "Company"), we have examined such corporate records and other documents, including the Registration Statement on Form S-3 of even date herewith, relating to such Notes (the Registration Statement as declared effective being hereinafter referred to as the "Registration Statement") and the related prospectus, and have reviewed such matters of law as we have deemed necessary as a basis for the opinions as hereinafter expressed.

Based on the foregoing and having regard for such legal considerations as we deem relevant, we are of the opinion that:

1. The Company is a corporation validly existing under the laws of the Commonwealth of Massachusetts; and

2. The Notes, when issued under the circumstances contemplated in the Registration Statement, (a) will have been duly and validly issued by the Company, with all requisite authority and action; and (b) will be the legal, valid and binding obligations of the Company.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement on Form S-3 and to the reference to us under the caption "Legal Matters" in the Registration Statement.

Very truly yours,

/s/ Hutchins, Wheeler & Dittmar
HUTCHINS, WHEELER & DITTMAR
A Professional Corporation

Exhibit 12.1

Litchfield Financial Corporation
Ratio of Earnings to Fixed Changes

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998
Income before income taxes and extraordinary item	3677	4318	5515	8574	10737	1862	2520
Interest Expense	2717	3158	6138	7197	10675	2394	2997
Total	6394	7476	11653	15771	21412	4256	5517
Total	6394	7476	11653	15771	21412	4256	5517
Interest Expense	2717	3158	6138	7197	10675	2394	2997
Ratio of earnings to fixed charges	2.35	2.37	1.90	2.19	2.01	1.78	1.84

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3 no. 333-) of Litchfield Financial Corporation for the registration of $100,000,000 principal amount of Litchfield Financial Corporation's notes and to the incorporation by reference therein of our report dated January 31, 1998, with respect to the consolidated financial statements of Litchfield Financial Corporation incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 1997, filed with the Securities and Exchange Commission.

Ernst & Young LLP

Boston, Massachusetts
July 13, 1998

EXHIBIT 25.1

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) |__|

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
48 Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

LITCHFIELD FINANCIAL CORPORATION
(Exact name of obligor as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-3023928 (I.R.S. employer identification no.)
430 Main Street Williamstown, MA (Address of principal executive offices)	01267 (Zip code)

Notes
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 14th day of July, 1998.

THE BANK OF NEW YORK

By: /S/ MARY JANE SCHMALZEL

Name: MARY JANE SCHMALZEL
Title: VICE PRESIDENT

EXHIBIT 7

Consolidated Report of Condition of
THE BANK OF NEW YORK
of 48 Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries

a member of the Federal Reserve System, at the close of business March 31, 1998, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
Non interest-bearing balances and currency and coin		$6,397,993
Interest-bearing balances		1,138,362
Securities:		
Held-to-maturity securities		1,062,074
Availabe-for-sale securities		4,167,240
Federal funds sold and Securities purchased under agreements to resell		391,650
Loans and lease financing receivables:		
Loans and leases, net of unearned income	36,538,242	
LESS: Allowance for loan and lease losses	631,725	
LESS: Allocated transfer risk reserve	0	
Loans and leases, net of unearned income, allowance and reserve		35,906,517
Assets held in trading accounts		2,145,149
Premises and fixed assets (including capitalized leases)		653,929
Other real estate owned		10,595
Investments in unconsolidated subsidiaries and associated companies		237,991
Customer's liability to this bank on acceptances outstanding		932,747
[?] assets		1,072,517
Owe's assets		1,653,173
Total assets		$55,838,225
LIABILITIES		
Deposits		
In domestic offices		$24,542,354
Non-interest bearing	10,011,422	
Interest-bearing	14,537,632	
In foreign offices and Agreement subsidiaries		15,319,055
Non-interest bearing	707,520	
Interest-bearing	14,617,182	
Federal purchases and Securities Subsidiaries sold under agreements to repurchase		1,995,055
Demand notes issued to the U.S. Treasury		215,925
Trading liabilities		1,591,288
Other borrowed money:		
With remaining maturity of one year or less		1,991,119
With remaining maturity of more than one year through three years		0
With remaining maturity of more than three years		25,574
Banks liability of acceptances executed and outstanding		939,145
Subordinated notes and debentures		1,314,000
Other liabilities		2,421,251
Total liabilities		50,631,514
EQUITY CAPITAL		
Common Stock		1,135,284
Surplus		731,319
Undivided profits and capital reserves		3,328,050
Net unrealized holding gains (losses) on available-for-sale securities		40,193
Cumulative foreign currency transition adjustments		(36,129)
Total equity capital		5,199,722
Total liabilities and equity capital		$55,832,236

1. Robert E. Keilman Senior Vice President and Controller of the above-named bank do hereby declare that this Report of Condition has been

prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We the undersigned directors attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A Renyi)
Alen R. Griffith) Directors
J. Caner Baco)

End of Filing