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3-033A076

February 1, 1993

REC'D 18116
RECORDATION NO. FILED 1425

FEB 3 1993 3:05 PM

INTERSTATE COMMERCE COMMISSION

REC'D REGULATORY UNIT
FEB 2 2 55 PM '93

DIRECT DIAL: 979-

1222

Secretary
Interstate Commerce Commission
12th & Constitution Avenue, NW
Room 2303
Washington, D.C. 20423

Dear Secretary:

I have enclosed an original and two copies of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated September 29, 1992.

The names and addresses of the parties to the documents are as follows:

Debtor: Reading Blue Mountain &
Northern Railroad Company
P.O. Box 218
Port Clinton, Pennsylvania 19549

Secured Party: Meridian Bank
601 Penn Street
P. O. Box 1102
Reading, PA 19603

Included in the property covered by the aforesaid Security Agreement are locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned by Reading Blue Mountain & Northern Railroad Company at the date of said Security Agreement or thereafter acquired by it or its successors

February 1, 1993
Page 2

A fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

Dianne A. Meyer, Esquire
Duane, Morris & Heckscher
One Liberty Place
Philadelphia, PA 19103-7396

A short summary of the document to appear in the index follows:

Security
Primary Document: Equipment Loan Security Agreement between Reading Blue Mountain & Northern Railroad Company with an address at P. O. Box 218, Port Clinton, Pennsylvania 19549 and Meridian Bank with an address at 601 Penn Street, P. O. Box 1102, Reading, Pennsylvania 19603 dated September 29, 1992 and covering the following:

I. LOCOMOTIVES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
EMD*	CF-7	1501
EMD	CF-7	1502
GE*	U-23B	2397
GE	U-23B	2398
GE	U-23B	2399
GE	U-33B	3300
GE	U-33B	3301
GE	U-33B	3302
GE	U-33B	3303
GE	U-33B	3304

II. COACHES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
PPCC*	Coach (DOME)	3
PPCC	Coach (DOME)	4

- * EMD = Electro Motor Division of General Motors
- * GE = General Electric
- * PPCC = Pullman Place Car Co.

If you have any questions on any of the above, please call me collect.

Very truly yours,



Dianne A. Meyer
for DUANE, MORRIS & HECKSCHER

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

2/4/93

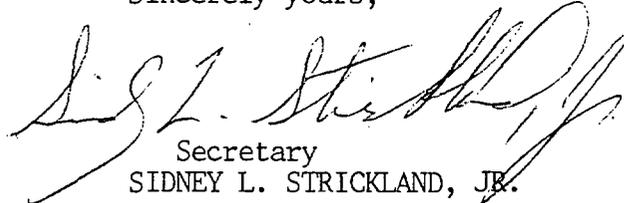
OFFICE OF THE SECRETARY

Dianne A. Meyer, Esq.
Duane, Morris & Heckscher
One Liberty Place
Philadelphia, PA. 19103-7396

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on **2/3/93** at **3:05pm**, and assigned
recording number(s). **18116**

Sincerely yours,


Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

2/4/93

EQUIPMENT LOAN SECURITY AGREEMENT FEB 3 1993 3:05 PM

This EQUIPMENT LOAN SECURITY AGREEMENT is made and entered into on September 27, 1992 by and between READING BLUE MOUNTAIN & NORTHERN RAILROAD COMPANY, a Pennsylvania corporation (the "Borrower"), and MERIDIAN BANK, a Pennsylvania banking corporation (the "Secured Party").

INTERSTATE COMMERCE COMMISSION

BACKGROUND

A. The Borrower and the Secured Party have executed a Loan Agreement dated December 14, 1990 (the "Existing Loan Agreement") pursuant to which the Secured Party made available to the Borrower certain credit facilities.

B. On the date hereof, the Borrower and the Secured Party have entered into a First Amendment to Loan Agreement (the "First Amendment"; together with the Existing Loan Agreement; the "Loan Agreement") pursuant to which the Secured Party has made available to the Borrower a new equipment facility in the maximum amount of \$500,000.

C. The Secured Party is willing to grant the extensions of credit contemplated by the Loan Agreement only on the condition that the Borrower executes and delivers this Security Agreement to the Secured Party.

D. Capitalized terms which are used herein without definition shall have the meanings ascribed to them in the Loan Agreement. Other terms used herein without definition that are defined in the Uniform Commercial Code, as enacted in Pennsylvania and in effect on the date hereof (the "Uniform Commercial Code") shall have the meanings ascribed to them therein, unless the context requires otherwise.

NOW, THEREFORE, intending to be legally bound, the Borrower and the Secured Party hereby agree as follows:

Section 1. Creation of Security Interest. The Borrower hereby grants to the Secured Party a lien and security interest in and to the property hereinafter described, whether now owned or hereafter acquired or arising and wherever located ("Collateral"):

(a) all machinery, locomotives and other rolling stock, tracks, ties, rails and other track materials, wires, pipes, conduits, poles, guys, electrical or mechanical signal devices, switches, towers, equipment, furniture, fixtures, tools, motor vehicles, and all accessories, parts and equipment now or hereafter affixed thereto or used in connection therewith

purchased with the proceeds of the Equipment Loans (the "New Equipment");

(b) the ten (10) locomotives and two (2) dome cars listed on Schedule A of this Agreement, and all accessories, parts and equipment now or hereafter attached thereto or used in connection therewith, whether or not the same shall be deemed affixed to real property ("Existing Equipment", together with the New Equipment, the "Equipment");

(c) all general intangibles related to the Equipment, which term shall have the meaning given to it in the Uniform Commercial Code;

(d) all additions, replacements, attachments, accretions, accessions components and substitutions to or for any Equipment;

(e) all proceeds, which term shall have the meaning given to it in the Uniform Commercial Code and shall additionally include but not be limited to, whatever is received upon the use, lease, sale, exchange, collection or other utilization or any disposition of any of the collateral described in subparagraphs (a) through (d) above, whether cash or noncash, and including without limitation, rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment, inventory and insurance proceeds; and all such proceeds of the foregoing ("Proceeds").

Section 2. Secured Obligations. The security interest created herein is given as security for the prompt payment, performance, satisfaction and discharge of the following obligations ("Obligations") of the Borrower:

(a) To pay the principal, interest, commitment fees and any other liabilities of the Borrower to the Secured Party incurred pursuant to or in connection with the Equipment Loans and the Equipment Term Loan under the Loan Agreement;

(b) To pay the principal, interest, commitment fees and any other liabilities of the Borrower to the Secured Party incurred pursuant to or in connection with the First Term Loan, the Second Term Loan, the Line of Credit Loans and all other Obligations of the Borrower under the Loan Agreement and the Notes;

(c) To repay the Secured Party all amounts advanced by the Secured Party hereunder or otherwise on behalf of the Borrower, including, but without limitation, advances for principal or interest payments to prior secured parties, mortgagors or lienors, or for taxes, levies, insurance, rent,

wages, repairs to or maintenance or storage of any Collateral;
and

(d) To reimburse the Secured Party, on demand, for all of the Secured Party's expenses and costs, including the reasonable fees and expenses of its counsel, in connection with the negotiation, preparation, administration, amendment, modification, or enforcement of the Loan Agreement and the other Loan Documents.

Section 3. Representations and Warranties. The Borrower, as of the date hereof and at the time of each advance or extension of credit under the Loan Agreement, represents and warrants as follows:

3.01 Good Title to Collateral. The Borrower has good and marketable title to the Collateral free and clear of all liens and encumbrances other than the security interests granted to the Secured Party hereunder and those liens and encumbrances set forth in Exhibit A to this Security Agreement.

3.02 Location of Books and Records. The locations of the offices where the Borrower maintains its books and records concerning the Collateral are as set forth in Exhibit B or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5.05 hereof.

3.03 Chief Executive Office. The chief executive offices of the Borrower are at the address set forth in Exhibit B or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5.05 hereof

3.04 Location of Equipment. All Equipment of the Borrower is located at one or more of the addresses set forth in Exhibit B or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5.05 hereof.

3.05 Other Representations. Each representation, warranty or other statement by the Borrower in, or in connection with, any of the Loan Documents is true and correct and states all material facts necessary to make it not misleading.

Section 4. Collection, Disposition and Use of Collateral.

4.01 Equipment. So long as there has been no default hereunder, the Borrower shall be permitted to use its Equipment in the ordinary course of its business. No sale, lease or other disposition of any item of Equipment shall be permitted, except in accordance with such terms and conditions as the Secured Party shall have expressly approved in writing.

Section 5. Covenants and Agreements of the Borrower.

5.01 Maintenance and Inspection of Books and Records.

The Borrower shall maintain complete and accurate books and records and shall make all necessary entries therein to reflect the costs, values and locations of its Equipment. The Borrower shall keep the Secured Party fully informed as to the location of all such books and records and shall permit the Secured Party and its authorized agents to have full, complete and unrestricted access thereto at any reasonable time and to inspect, audit and make copies of all books and records, data storage and processing media, software, printouts, journals, orders, receipts, invoices, correspondence and other documents and written or printed matter related to any of the Collateral. The Secured Party's rights hereunder shall be enforceable at law or in equity, and the Borrower consents to the entry of judicial orders or injunctions enforcing specific performance of such obligations hereunder.

5.02 Physical Inspection of Equipment. The Borrower shall permit the Secured Party and its authorized agents to inspect any or all of the Borrower's Equipment at all reasonable times.

5.03 Notice of the Secured Party's Interests. If requested by the Secured Party, the Borrower shall give notice of the Secured Party's security interests in the Collateral to any third person with whom the Debtor has any actual or prospective contractual relationship or other business dealings.

5.04 Insurance of Collateral. The Borrower shall keep its Equipment insured against such perils, in such amounts and with such insurance companies as the Secured Party may require. All insurance policies shall name the Secured Party as loss payee and shall provide for not less than thirty (30) days' advance notice in writing to the Secured Party of any cancellation thereof. Secured Party shall have the right (but shall be under no obligation) to pay any of the premiums on such insurance. Any premiums paid by the Secured Party shall, if the Secured Party so elects, be considered an advance at the highest rate of interest provided in the Loan Agreement, and all such accrued interest shall be payable on demand. The Borrower expressly authorizes its insurance carriers to pay proceeds of all insurance policies covering any or all of the Collateral directly to the Secured Party.

5.05 New Locations of Collateral and Books and Records. The Borrower shall immediately notify the Secured Party of any change in the location of its chief executive office, of any new or additional address where its books and records concerning the Collateral are located and of any new locations of Equipment not specified in Sections 3.02, 3.03 or 3.04 of this

Security Agreement, and if any such location is on leased or mortgaged premises, promptly furnish the Secured Party with landlord's or mortgagee's waivers in form and substance satisfactory to the Secured Party.

5.06 Perfection of the Secured Party's Interests.

The Borrower agrees to cooperate and join, at its expense, with the Secured Party in taking such steps as are necessary, in the Secured Party's judgment, to perfect or continue the perfected status of the security interests granted hereunder, including, without limitation, the execution and delivery of any financing statements, amendments thereto and continuation statements, the delivery of chattel paper, documents or instruments to the Secured Party, the obtaining of landlords' and mortgagees' waivers required by the Secured Party, the notation of encumbrances in favor of the Secured Party on certificates of title, and the execution and filing of any collateral assignments and any other instruments requested by the Secured Party to perfect its security interest in any and all of the Borrower's patents, trademarks, service marks, tradenames, copyrights and other general intangibles. The Secured Party is expressly authorized to file financing statements without the Borrower's signature.

5.07 Maintenance of Equipment. The Borrower shall care for and preserve the Equipment in good condition and repair, and will pay the cost of all replacement parts, repairs to and maintenance of the Equipment. The Borrower will keep complete and accurate maintenance records with respect to its Equipment.

5.08 Notification of Adverse Change in Collateral.

The Borrower agrees immediately to notify the Secured Party if any event occurs or is discovered which would cause any material diminution in the value of any Collateral.

5.09 Reimbursement and Indemnification.

The Borrower agrees to reimburse the Secured Party on demand for out-of-pocket expenses incurred in connection with the Secured Party's exercise of its rights under this Security Agreement. The Borrower agrees to indemnify the Secured Party and hold it harmless against any costs, expenses, losses, damages and liabilities (including reasonable attorney's fees) incurred in connection with this Security Agreement, other than as a direct result of the Secured Party's gross negligence or willful misconduct.

Section 6. Power of Attorney. The Borrower hereby appoints the Secured Party as its lawful attorney-in-fact to do, at the Secured Party's option, and at the Borrower's expense and liability, all acts and things which the Secured Party may deem necessary or desirable to effectuate its rights under this Security Agreement, including without limitation, (a) file financing statements and otherwise perfect any security interest

granted hereby, (b) correspond and negotiate directly with insurance carriers, (c) upon the occurrence of a default hereunder, receive, open and dispose of in any reasonable manner all mail addressed to the Borrower and notify Postal Service authorities to change the address for mail addressed to the Borrower to an address designated by the Secured Party, (d) upon the occurrence of a default hereunder, communicate with third parties for the purpose of protecting or preserving the Collateral, and (e) upon the occurrence of a default hereunder, in the Borrower's or the Secured Party's name, demand, collect, receive, and receipt for, compound, compromise, settle and give acquittance for, and prosecute and discontinue or dismiss, with or without prejudice, any suits or proceeding respecting any of the Collateral.

Section 7. Default. The occurrence of any one or more of the following shall be a default hereunder:

7.01 Default Under Loan Agreement. The occurrence of an Event of Default under the Loan Agreement or any of the Loan Documents.

7.02 Failure to Observe Covenants. The failure of the Borrower to keep, observe or perform any provisions of this Security Agreement, which failure is not cured and remedied within fifteen (15) days after notice thereof is given to the Borrower.

7.03 Representations, Warranties. If any representation, warranty or certificate furnished by the Borrower under or in connection with this Security Agreement shall, at any time, be materially false or incorrect.

Section 8. Secured Party's Rights Upon Default. Upon the occurrence of a default hereunder, or at any time thereafter, the Secured Party may immediately and without notice do any or all of the following, which rights and remedies are cumulative, may be exercised from time to time, and are in addition to any rights and remedies available to the Secured Party under the Loan Agreement or any other Loan Document:

8.01 Uniform Commercial Code Rights. Exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code, including the right to require the Borrower to assemble the Collateral and make it available to the Secured Party at a place reasonably convenient to the parties.

8.02 Operation of Collateral. Operate, utilize, recondition and/or refurbish (at the Secured Party's sole option and discretion and in any manner) any of the Collateral which is Equipment, for the purpose of enhancing or preserving the value thereof or the value of any other Collateral.

8.03 Sale of Collateral. Upon five (5) calendar days' prior written notice to the Borrower, which the Borrower hereby acknowledges to be sufficient, commercially reasonable and proper, sell, lease or otherwise dispose of any or all of the Collateral at any time and from time to time at public or private sale, with or without advertisement thereof and apply the proceeds of any such sale first to the Secured Party's expenses in preparing the Collateral for sale (including reasonable attorneys' fees) and second to the complete satisfaction of the Obligations. The Borrower waives the benefit of any marshalling doctrine with respect to the Secured Party's exercise of its rights hereunder. The Borrower grants a royalty - free license to the Secured Party for all patents, service marks, trademarks, tradenames, copyrights, computer programs and other intellectual property and proprietary rights sufficient to permit Secured Party to exercise all rights granted to Secured Party under this Section.

Section 9. Notices. Any written notices required or permitted by this Security Agreement shall be effective if delivered in accordance with Section 10.2 of the Loan Agreement.

Section 10. Miscellaneous.

10.01 No Waiver. No delay or omission by the Secured Party in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any further exercise thereof or the exercise of any other right or remedy.

10.02 Successors. The provisions of this Security Agreement shall inure to the benefit of and be binding upon the Secured Party and the Borrower and their respective successors and assigns, provided that the Borrower's obligations hereunder may not be assigned without the written consent of the Secured Party.

10.03 Amendments. No modification, rescission, waiver, release or amendment of any provisions of this Security Agreement shall be effective unless set forth in a written agreement signed by the Borrower and an authorized officer of the Secured Party.

10.04 Governing Law. This Security Agreement shall be construed under the internal laws of the Commonwealth of Pennsylvania without reference to conflict of laws principles.

10.05 Severability. If any provision of this Security Agreement shall be held invalid or unenforceable under applicable law in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction or the validity or

enforceability of any other provision of this Security Agreement that can be given effect without such invalid or unenforceable provision.

10.06 Judicial Proceedings. Each party to this Agreement agrees that any suit, action or proceeding, whether claim or counterclaim, brought or instituted by any party hereto or any successor or assign of any party, on or with respect to this Agreement or the dealings of the parties with respect hereto, shall be tried only by a court and not by a jury. EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. Further, each party waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE SECURED PARTY WOULD NOT EXTEND CREDIT TO THE BORROWER IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS AGREEMENT.

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

READING BLUE MOUNTAIN AND
NORTHERN RAILROAD COMPANY

Attest:

Benny B. Hess
Title: Secretary

By: Benny B. Hess
Title: Secretary

MERIDIAN BANK

By: Paul D. Allen
Title: AVP

COMMONWEALTH OF PENNSYLVANIA:

COUNTY OF Berks : SS

On the 27th day of September, 1992, before me, the subscriber, a Notary Public in and for the State and County aforesaid, personally appeared Beverly B. Bess who acknowledged himself/herself to be the Secretary of Reading Blue Mountain & Northern Railroad Company, a Pennsylvania corporation, and that he/she as such officer being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself/herself as Secretary.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Kim L. Mazatka
Notary Public

My Commission expires:

Notarial Seal
Kim L. Mazatka, Notary Public
Hamburg, Berks County
My Commission Expires July 5, 1993

COMMONWEALTH OF PENNSYLVANIA:

COUNTY OF Bucks : SS

On the 29th day of September, 1992, before me, the subscriber, a Notary Public in and for the State and County aforesaid, personally appeared Paul D. Cook who acknowledged himself/herself to be the Asst. Vice President of Meridian Bank, a Pennsylvania banking corporation, and that he/she as such officer being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself/herself as Asst. Vice President

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Kim L. Mazurka
Notary Public

My Commission expires:

Notarial Seal
Kim L. Mazurka, Notary Public
Hamburg Boro, Bucks County
My Commission Expires July 5, 1993

SCHEDULE A

I. LOCOMOTIVES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
EMD*	CF-7	1501
EMD	CF-7	1502
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GE	U-23B	2398
GE	U-23B	2399
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II. COACHES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
PPCC*	Coach (DOME)	3
PPCC	Coach (DOME)	4

- * EMD = Electro Motor Division of General Motors
- * GE = General Electric
- * PPCC = Pullman Place Car Co.

EXHIBIT A

OTHER LIENS AND ENCUMBRANCES

None.

EXHIBIT B

Location of books and records:

One North 4th St.
Hamburg, PA 19526

Location of chief executive office:

One North 4th St.
Hamburg, PA 19526

Location of Equipment:

N/A