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**GC&E** GOLLATZ  
GRIFFIN  
& EWING  
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RECORDATION NO. 24856 FILED

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MAR 17 2004 1-22 PM

SURFACE TRANSPORTATION BOARD

March 16, 2004  
VIA: Overnight delivery

RECEIVED

Hon. Vernon A. Williams, Secretary  
Surface Transportation Board  
Mercury Building, #711  
1925 K Street, N.W.  
Washington, DC 20423-0001

Re: Documents for Recordation

Dear Secretary Williams:

I have enclosed an original and one copy of the document described below, to be recorded pursuant to 49 USC §11301 and 49 CFR Part 1177.

The document is a Security Agreement, a primary document, dated December 30, 2003.

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

Borrower/Owner:

Lehigh Valley Rail Management, LLC  
Room 618, Martin Tower  
1170 Eighth Avenue  
Bethlehem, PA 18018

Secured Party:

Keystone Nazareth Bank and Trust Company  
90 Highland Avenue  
Bethlehem, PA 18017

A description of the equipment covered by the document follows:

A second lien on the 11 locomotives, 24 flat cars and 126 hopper cars identified in more detail on Exhibit A to this letter, and a first

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WILMINGTON

Hon. Vernon A. Williams, Secretary  
March 16, 2004  
Page 2

lien on the 31 locomotives identified in more detail on Exhibit B to this letter.

A fee of \$30.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Eric M. Hocky  
Gollatz, Griffin & Ewing, P.C.  
Four Penn Center  
Suite 200  
1600 John F. Kennedy Blvd.  
Philadelphia, PA 19103-2808

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

Security Agreement between Lehigh Valley Rail Management, LLC, Room 618, Martin Tower, 1170 Eighth Avenue, Bethlehem, PA 18018, and Keystone Nazareth Bank and Trust Company, 90 Highland Avenue, Bethlehem, PA 18017, dated December 30, 2003, and covering a second lien on 11 locomotives, 24 flat cars and 126 hopper cars, and a first lien on 31 locomotives.

Respectfully,

  
Eric M. Hocky

EMH/e

Enclosures

GOLLATZ, GRIFFIN & EWING, P.C.

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EXHIBIT "A"

The "A Equipment" -- the machinery, equipment and other tangible personal property listed below, and all parts, replacements and/or substitutions, additions and accessions, equipment, tools and operating manuals thereto, any proceeds of sale or disposition thereof and any proceeds of insurance thereon or condemnation thereof.

Locomotives

<u>Number</u>	<u>Type</u>	<u>Number</u>	<u>Type</u>
CBL 100	EMD NW2	CBL 101	EMD NW2
CBL 102	EMD NW2	CBL 104	EMD SW7
CBL 110	EMD SW7	CBL 111	EMD SW7
CBL 112	EMD SW7	CBL 114	EMD SW7
CBL 116	EMD SW7	CBL 122	EMD NW2
CBL 125	EMD NW2		

Roadway Equipment

[redacted]

Shop Equipment

[redacted]

Miscellaneous Equipment

[redacted]

Flat Cars

Reporting Marks/Numbers

PBNE 500  
PBNE 509 to 511

Reporting Marks/Numbers

PBNE 501 to 507  
PBNE 513 to 525

Hopper Cars

Reporting Marks/Numbers

BSIX 1224  
BSIX 1251  
BSIX 1300  
BSIX 1324  
BSIX 1329 to 1331  
BSIX 1357  
BSIX 1363  
BSIX 1374  
BSIX 1399  
PBNE 1203 to 1204  
PBNE 1218  
PBNE 1228 to 1231  
PBNE 1238  
PBNE 1246  
PBNE 1261  
PBNE 1270  
PBNE 1277  
PBNE 1281  
PBNE 1286  
PBNE 1291 to 1293  
PBNE 1298  
PBNE 1307 to 1310  
PBNE 1320  
PBNE 1327 to 1328  
PBNE 1335 to 1337  
PBNE 1343 to 1346  
PBNE 1353 to 1356  
PBNE 1360 to 1362  
PBNE 1369 to 1373  
PBNE 1378 to 1382  
PBNE 1389 to 1393  
PBNE 1400  
PBNE 1407

Reporting Marks/Numbers

BSIX 1240  
BSIX 1280  
BSIX 1321  
BSIX 1326  
BSIX 1347 to 1348  
BSIX 1359  
BSIX 1368  
BSIX 1376 to 1377  
BSIX 1401  
PBNE 1209 to 1210  
PBNE 1225  
PBNE 1233  
PBNE 1241 to 1242  
PBNE 1253  
PBNE 1267  
PBNE 1273 to 1275  
PBNE 1279  
PBNE 1284  
PBNE 1288 to 1289  
PBNE 1295  
PBNE 1302 to 1304  
PBNE 1315 to 1318  
PBNE 1322 to 1323  
PBNE 1332 to 1333  
PBNE 1339 to 1341  
PBNE 1349 to 1351  
PBNE 1358  
PBNE 1364 to 1366  
PBNE 1375  
PBNE 1384 to 1387  
PBNE 1395 to 1397  
PBNE 1402 to 1403  
PBNE 1409

EXHIBIT "B"

The "B Equipment" – the machinery, equipment and other tangible personal property listed below, and all parts, replacements and/or substitutions, additions and accessions, equipment, tools and operating manuals thereto, any proceeds of sale or disposition thereof and any proceeds of insurance thereon or condemnation thereof.

Locomotives

<u>Number</u>	<u>Type</u>	<u>Number</u>	<u>Type</u>
PBNE 8	EMD MP15	PBNE 9	Slug
PBNE 10	Slug	PBNE 12	Slug
PBNE 13	Slug	PBNE 14	Slug
PBNE 19	EMD MP15	PBNE 20	EMD MP15
PBNE 22	EMD NW2	PBNE 23	EMD NW2
PBNE 24	EMD NW2	PBNE 25	EMD NW2
PBNE 26	EMD NW2	PBNE 27	EMD NW2
PBNE 31	EMD SW7	PBNE 32	EMD SW7
PBNE 33	EMD SW7	PBNE 35	EMD SW9
PBNE 36	EMD SW9	PBNE 37	EMD SW9
PBNE 39	EMD SW1200	PBNE 42	EMD SW1200
PBNE 43	EMD SW1200	PBNE 44	EMD SW7
PBNE 50	EMD SW900	PBNE 51	EMD SW900
PBNE 51A	EMD SW1200	PBNE 52	EMD SW1200
PBNE 53	EMD SW1200	PBNE 90	EMD SW7
PBNE 93	EMD SW9		

Roadway Equipment

[redacted]

Shop Equipment

[redacted]

Miscellaneous Equipment

[redacted]

RECORDATION NO. 24856 FILED

MAR 17 '04 1-22 PM

SURFACE TRANSPORTATION BOARD

SECURITY AGREEMENT

COVENANTS, TERMS, CONDITIONS, REPRESENTATIONS AND WARRANTIES

Intending to be legally bound hereby and for legal and adequate consideration, including, without limitation, the Liabilities (as defined below), LEHIGH VALLEY RAIL MANAGEMENT, LLC (hereinafter referred to as "OWNER") hereby covenants, agrees, represents and warrants as follows:

1. The name (last name first, if individuals) and registered address (street, municipality, county, state, and zip code) of the legal and equitable title Owner of the Collateral (as defined below) is:

LEHIGH VALLEY RAIL MANAGEMENT, LLC  
Room 618 Martin Tower  
1170 Eighth Avenue  
Bethlehem, Pennsylvania 18018

2. The name of the legal owner of OWNER's filing address is Tow Path Valley Business Park Development Company..

3. The OWNER's legal status is a Pennsylvania limited liability company.

4. The Collateral will be located at Bethlehem and Johnstown, Pennsylvania.

5. The Collateral (as defined below) will be used by the OWNER exclusively in, and for its business operations.

6. The Liabilities shall mean and include, without limitation, the loan extended on or about the date of this Security Agreement or to be extended in the future by KEYSTONE NAZARETH BANK AND TRUST COMPANY (hereinafter referred to as "BANK") to OWNER ("BORROWER") in the total principal amount of Five Million Eight Hundred Thousand and No/100 (\$5,800,000.00) Dollars (hereinafter referred to as "Loan") and all liabilities and obligations arising under such Loan and/or a certain Promissory Note dated even date herewith evidencing such Loan ("Note") and any and all other instruments, documents, and agreements executed to evidence and/or secure the Loan (collectively referred to herein as "Loan Documents"), along with all other Liabilities (as further defined below) and some, if not all, of the Liabilities will be incurred, in whole or in part, for the purpose of enabling the OWNER to purchase, or acquire rights, in, or the use of, some or all of the Collateral.

7. COLLATERAL. The term "Collateral" as used above and elsewhere in this Security Agreement shall be deemed to include and refer to all the following types of property, with all capitalized terms to be defined under Article 9 of Pennsylvania's, or any other applicable state's Uniform Commercial Code (collectively the "UCC"), owned or acquired now or hereafter by the aforementioned OWNER:

A. ACCOUNTS. The term "Accounts" shall mean and include all present and future Accounts (Receivable), Contract Rights, Chattel Paper, whether or not yet earned, for services rendered or goods sold, guaranties and Securities (as defined under Article 8 of the UCC) relating to any of the foregoing, and all returned, reclaimed and repossessed goods, the sale, consignment, lease or other furnishings of which shall have given, or may give, rise to any of the foregoing, including, without limitation, the right of stoppage in transit.

B. INVENTORY. The term "Inventory" shall mean and include all present and future Inventory (including, but not limited to, goods held for sale or lease or furnished or to be furnished under contracts of service, raw materials, work in process, goods used or consumed in business, and any Specific Property described below), whether owned, consigned or held on consignment, together with all merchandise, component materials, supplies, incidentals, office supplies, packaging materials, and other Goods or items used, or to be used, in connection with any of the foregoing, along with all present and future Documents, Instruments and General Intangibles (including, but not limited to, manufacturing and processing rights, patents, patent rights, licenses, trademarks, trade names, trade secrets, copyrights and copyright registrations) pertaining to, or utilized in, the consumption, sale, consignment, lease, promotion, shipment or storage of any of the foregoing, and all returned, reclaimed or repossessed Goods sold, consigned, leased or otherwise furnished by the OWNER.

C. EQUIPMENT. The term "Equipment" shall mean and include all present and future Fixtures and Equipment, including, without limitation, any and all machinery, motor vehicles, mobile or motorized equipment, office furniture, office equipment, furnishings, hand tools, power tools, dies, jigs, molds, blueprints, renderings, technical data, technical processes and phototypes and any other equipment, machines, machinery or articles of tangible personal property of every type, including, but not limited to, any Specific Property described below, and all parts, substitutions, accretions, accessions, attachments, accessories, additions, components and replacements of any of the foregoing, together with all Documents, Instruments and General Intangibles relating to any of the foregoing, including, but not limited to, all trademarks, trade names, trade styles, copyrights, copyright registrations, brands, patents, patent rights, licenses, trade secrets, and all manuals of operation, maintenance or repair, utilized in connection with any of the foregoing.

8. GRANT OF SECURITY INTEREST. In consideration of, and as security for, the payment and performance of the Liabilities (as defined below) and intending to be legally bound hereby, the OWNER hereby conveys, assigns, and grants to the BANK a security interest in all the Collateral, together with all present and future Documents, General Intangibles and

Instruments of every kind and nature whatsoever, all present and future products of the Collateral and all present and future proceeds of any Collateral, including, without limitation, all leases, rents, deposits, issues, profits, credits, rebates, refunds, increases, replacements of, and additions and accessions to, the Collateral and all cash, non-cash, insurance and condemnation proceeds (collectively, the "Proceeds"). The BANK's right to Proceeds does not, and shall not be interpreted to, constitute authorization or consent by the BANK to any disposition of any Collateral. This Security Agreement and the security interests granted herein shall serve as general and continuing security for all Liabilities and may be retained by the BANK until all Liabilities have been satisfied in full; provided, however, that this Security Agreement shall not be rendered void by the fact that no Liabilities or commitment by the BANK to make advances to the BORROWER exists as of any particular date, but shall continue in full force and effect until the full satisfaction of all the Liabilities by the obligors thereunder.

As additional Collateral and security for the Liabilities, the Owner hereby conveys, assigns and grants to the BANK a security interest in, and to, all present and future files, books, ledgers, records, bills, invoices, receipts, deeds, certificates, and documents of ownership, warranties, bills of sale and all other data and data storage systems and media pertaining to any of the Collateral.

9. LIABILITIES. The Collateral secures, and shall secure, all liabilities of the OWNER and/or any above-named BORROWER (if a different person or entity than the OWNER) to BANK including, without limitation, all liabilities and obligations arising under the Loan described above (including any past, present or future advances, readvances, substitutions, extensions, renewals, interest, late charges, penalties and fees of any and all types), regardless, whether arising under any promissory note, surety agreement or other instrument, document or agreement and regardless whether primary, secondary, absolute or contingent, direct or indirect, joint, several or independent, voluntary or involuntary, (including any liabilities arising from overdrafts), now or hereafter existing, due or to become due, or held or be held by, the BANK for its own account or as agent for another or others, regardless whether credited directly or acquired by negotiation, assignment or otherwise, and all instruments and documents evidencing any of the above (collectively referred to at all times herein as the "Liabilities").

10. FUTURE ADVANCES. The Liabilities secured hereby shall include all future advances made at any time or times to, or for the benefit of, any OWNER and/or any Borrower, regardless whether obligatory or optional, including, without limitation, all costs, expenses, court costs and attorneys' fees incurred in the servicing and/or collection of the Liabilities and/or the Collateral or the disposition of any Collateral, and any advances made at any time or times for the payment of taxes or insurance or the maintenance or repair of any Collateral, or for the establishment, maintenance or enforcement of the BANK's security and other interests therein and herein.

11. ADDITIONAL COLLATERAL. As additional Collateral to secure the Liabilities, the OWNER hereby grants to the BANK a security interest in all of the OWNER's present and future deposits or other monies due from BANK, instruments, documents, policies, and

certificates of insurance, securities, goods, accounts receivables, choses in action, chattel paper, currency, property and the proceeds thereof, owned by the OWNER or in which it has an interest, now or hereafter in the possession or control of the BANK or in transit by mail or carrier to or from the BANK or in the possession of any other person acting in the BANK's behalf, without regard to whether the BANK received the same in pledge for safekeeping, as agent for collection or transmission or otherwise, or whether the BANK has conditionally released the same. The property described in this clause shall constitute part of the Collateral for all purposes under this Security Agreement.

12. OWNERSHIP; OTHER LIENS. The OWNER hereby represents and warrants that it is, or as to Collateral to be acquired after the date hereof will be, the sole legal and equitable owner of the Collateral; that this Security Agreement creates a first-lien in, and to, all the Collateral excepting, however, certain assets being assigned to the Commonwealth of Pennsylvania; and that there are, and will be, no other liens, security interests, encumbrances or adverse claims by any person or entity upon and/or in any of the Collateral except as previously expressly agreed to in writing by the BANK. The OWNER shall keep the Collateral free from, and defend it against, discharge and immediately notify the BANK in writing of any and all other material liens, security interests or encumbrances, prior assignments, claims, setoffs or demands of any party at any time claiming any Collateral or any interest therein.

13. PURCHASE MONEY LOAN. The OWNER hereby covenants and agrees that any Liabilities created for the purpose of enabling the OWNER to acquire rights in, or use, of any Collateral shall be used solely for such purpose and for no other purpose, and hereby authorizes the BANK to disburse the proceeds of any such purchase money loan(s) directly to the seller of any such Collateral.

14. LOCATION, USE OF COLLATERAL. The OWNER hereby represents and warrants that:

(a) All Collateral is being and will be kept at the addresses set forth in Clause 4, and further covenants and agrees not to remove the Collateral therefrom without the BANK's prior written consent, except for goods sold in the ordinary course of business, and except for rolling stock that is used in interstate commerce.

(b) All Collateral is being used and will be used exclusively for business purposes, and OWNER covenants and agrees not to change such use without the BANK's prior written consent;

15. OWNER'S IDENTITY, ADDRESS(ES). The OWNER hereby represents and warrants that its official name, if a corporation, partnership or unincorporated association, is accurately and completely set forth above, and covenants and agrees that it shall not change its name, or its status indicated above, without the BANK's prior written consent.

The OWNER hereby represents and warrants that the address set forth in Clause 1 is its registered business address, if the OWNER is engaged in business, or its residence if the OWNER is not engaged in business, and covenants and agrees that it will not change such address or the other locations set forth in Clause 4, or acquire additional addresses, without giving at least thirty (30) days prior written notice to the BANK setting forth the effective date of such change and such new address.

16. MAINTENANCE, INSURANCE OF COLLATERAL. OWNER, at its own expense, hereby covenants and agrees to: (a) properly maintain and care for the Collateral and protect, produce, develop, grow and care for all Crops and Livestock covered by this Security Agreement, all in accordance with the highest standards customary for businesses or farming operations similar to OWNER's if OWNER uses the Collateral in business and/or farming operations; (b) maintain such insurance covering the Collateral against fire, theft, vandalism and such other risks or hazards as BANK may require and in such amounts and with such insurance companies as are satisfactory to the BANK, which insurance shall protect the BANK's interests in the Collateral as secured lender under separate endorsement or clause not subject to any defenses which such insurance company may have against the OWNER; (c) deliver to the BANK, on demand, the contract(s) of insurance or furnish other proof of such insurance to the BANK; and (d) comply fully with, and refrain from any use of the Collateral in violation of, any requirements of any insurer of the Collateral.

In the event of loss, BANK, at its option, may (i) retain and apply all or any part of the insurance proceeds to reduce, in such order and amounts as the BANK may elect, the unpaid balance of the Liabilities, or (ii) disburse all or any part of such insurance proceeds to, or for the benefit of, the OWNER for the purpose of repairing or replacing the Collateral after receiving proof satisfactory to the BANK of such repair or replacement, and in either case without waiving or impairing the Liabilities or any other provision of this Security Agreement, OWNER hereby assigns to the BANK any return or unearned premiums which may be due upon cancellation of any such policies for any reason whatsoever and directs the insurers to pay to the BANK any amounts so due, and OWNER, hereby irrevocably appoints the BANK its attorney-in-fact to endorse any draft or check which may be payable to OWNER in order to collect any return or unearned premiums or the proceeds of such insurance.

17. TAXES: COMPLIANCE. OWNER hereby covenants and agrees to pay, on or before the due date thereof, all federal, state and local taxes, assessments and other governmental charges of every nature which may be levied or assessed against the Collateral, and to comply fully with, and refrain from any use of the Collateral in material violation of, any applicable statutes, regulations or ordinances.

18. RIGHT TO REMEDY CERTAIN DEFAULTS. In the event the OWNER fails to maintain the Collateral, or pay any Internal revenue stamps or federal, state or local taxes, assessments or other governmental charges or claims, or fails to maintain insurance on the Collateral and pay all premiums for such insurance, or fails to make any necessary repairs or permits waste, the BANK, at its election (and without notice or demand) to the OWNER, shall have

the right, but not the obligation, to make any payment or expenditure with the right of subrogation thereunder, including, but not limited to, purchasing LENDER's single interest insurance covering the BANK's interest in the Collateral, and to take any action which the OWNER should have taken, or which the BANK deems advisable in order to protect its security interests in the Collateral or its rights under this Security Agreement, and may appear in any action or proceeding with respect to any of the foregoing and retain counsel therein, without prejudice to any of the BANK's rights or remedies available under this Security Agreement or otherwise, at law or in equity. All such sums, as well as costs, advanced by the BANK pursuant to this Security Agreement, shall be secured by this Security Agreement, and shall bear interest at the highest rate payable on any of the Liabilities from the date of payment by the BANK until paid in full.

19. DISPOSITION; PROCEEDS. Except as, and only to the extent, expressly permitted herein, OWNER shall not sell, assign, lease or otherwise dispose of, or attempt or contract to sell, assign, lease or otherwise dispose of, any Collateral or any title, interest, right or privilege therein.

The OWNER hereby covenants and agrees to deliver immediately to the BANK, or such other person as the BANK may designate, any Instrument, Documents or Chattel Paper arising out of or in connection with any Collateral. The OWNER further covenants and agrees not to use cash proceeds to purchase or otherwise acquire any interest whatsoever in any property not covered by this Security Agreement without the BANK's prior written consent.

20. NOTIFICATION OF ADVERSE EVENTS. OWNER shall immediately notify the BANK in writing of any occurrence, event, circumstance or condition which affects or will materially affect the Collateral or the value thereof, the OWNER's or the BANK's ability to dispose of the Collateral or the BANK's rights or remedies with regard thereto, including, but not limited to, the issuance or levy of any legal process against the Collateral or the adoption of any marketing order, arrangement or procedure affecting the Collateral, whether governmental or otherwise.

Subject to fulfillment of its common carrier obligations, the OWNER hereby covenants and agrees that it shall not acquire or enter into any contracts giving, or to give, rise to any Accounts from the United States or any department, agency or instrumentality thereof without the BANK's prior written consent, and shall execute any notices, agreements, assignments or other documents, and take any steps required by the BANK, in order that all monies due and to become due, under such contracts shall be fully assigned to the BANK and notice thereof given to the government under the Federal Assignment of Claims Act.

21. BANK'S RIGHTS.

(a) OWNER hereby covenants and agrees that BANK may, at its option, at OWNER's expense pursuant to the other provisions of this Agreement, at any time and from time to time and regardless whether or not a Default has occurred hereunder:

(1) require OWNER to deliver to the BANK, at such reasonable time or times and in such reasonable manner and form as the BANK may direct records, schedules and other documentation and data sufficient to show the status, condition, value or location of, or any other information pertaining to, the Collateral;

(2) verify the Collateral, inspect the OWNER's books and records at a reasonable time, and make copies thereof or extracts therefrom, and require OWNER to furnish such witnesses as may be necessary to establish legal proof of the Collateral or such records;

(3) require, as a condition to its consent to any disposition of Collateral requiring BANK's consent, that OWNER pay or deliver or cause to be paid or delivered directly to the BANK, or such other person as the BANK may designate, the Proceeds of such disposition, (agree to increase the rate of interest payable in respect of any of the Liabilities), or comply with any other reasonable requirement of the BANK;

(4) notify debtors or obligors on any Accounts or Chattel Paper, or any buyers or lessees of any of the Collateral or any other persons or entities, of the BANK's interest in the Collateral and require such parties to deliver all Proceeds to the BANK, or such other person or other entities as the BANK may designate, at such time or times and in such manner and form as the BANK may direct; and in connection therewith OWNER hereby irrevocably authorizes and appoints BANK its attorney-in-fact, with full power of substitution, to endorse or sign OWNER's name on all collections, checks, notes, drafts, receipts or other instruments or documents, take possession of, and open, the OWNER's mail and remove Proceeds therefrom, and such account debtors, buyers or lessees may accept the receipt of the BANK in such circumstances as a full release and acquittance for any amount so paid;

(5) at reasonable times enter upon any property where any Collateral is located to examine the Collateral, such property and any buildings or improvements thereon, and use OWNER's equipment, machinery, office equipment and other facilities if BANK deems such use necessary or advisable to protect, preserve, maintain, process, develop or harvest any of the Collateral;

(6) prohibit OWNER from attaching any Collateral to any land or building or other improvement thereon in any manner which might cause such Collateral to become a part thereof, unless the land is secured by a mortgage in favor of BANK and/or require OWNER to obtain from any owner, encumbrance or other person having an interest in the property where any Collateral is located, written consent to BANK's removal of the Collateral therefrom, without

liability on the part of the BANK to such owner, encumbrance or other person, or require OWNER to obtain from any such owner, encumbrance or other person such waivers of any interest in the Collateral as the BANK may require;

(7) place or require OWNER to place on any Instrument, Document or Chattel Paper, or upon OWNER's books, records, documents or other data relating to Accounts or General Intangibles, a notation or legend indicating BANK's security interest therein;

(8) in the OWNER's and/or the BANK's name (as the BANK in its sole discretion may determine) demand, collect, receive, and receipt for, compromise, settle and give acquittance for, and prosecute and discontinue or dismiss, with or without prejudice, any suits or proceedings respecting any of the Collateral;

(9) prohibit the OWNER from granting to any person any rebate, refund, allowance or credit, or accepting from any person any return of any Collateral, without the BANK's prior written consent, which consent may be conditioned upon any requirement for payment or additional collateral from the OWNER as the BANK, in its sole discretion, may determine;

(10) secure credit in the name of the OWNER or in the name of the BANK, or pay, settle or otherwise discharge any unpaid bills or charged for goods delivered or services rendered to, or for the benefit of, the OWNER, if the BANK reasonably determines, in its sole discretion, that such action is necessary or advisable to protect, maintain or preserve the Collateral or the BANK's security interest therein;

(11) take any action which the BANK may deem necessary or desirable in order to realize on any of the Collateral, including, without limitation, the power to perform any contract or to endorse in the name of the OWNER any checks, notes, drafts, receipts or other Instruments or Documents received in payment of, or on account of, or constituting, any of the Collateral, and OWNER hereby irrevocably appoints the BANK its attorney-in-fact with full power of substitution for all or any such acts or purposes.

(b) The foregoing rights are cumulative and may be exercised by the BANK singly or in any combination at any time, from time to time, and as often as the BANK deems necessary or advisable.

22. OTHER DOCUMENTS, ACTS. OWNER hereby covenants and agrees that it shall, at any time or times and from time to time, at its own expense, execute and deliver or cause to be executed and delivered such security agreements, certificates, certificates of title, pledges, assignments, financing statements, continuation financing statements, amendments, acknowledgments and other documents, and shall perform or cause to be performed such other acts, as the BANK may request in order to establish, preserve or maintain valid and continuously perfected security interests in, or to determine the priority of, or terminate or enforce the BANK's security interests in, the Collateral, and pay all costs and expenses incurred in connection therewith.

To the extent legally permissible, OWNER hereby irrevocably authorizes and appoints the BANK as its attorney-in-fact, with full power of substitution, to execute on OWNER's behalf and file at BORROWER's expense a financing statement or statements, or any amendment or amendments thereto, in those public offices deemed necessary or appropriate by the BANK to establish, maintain and protect continuously perfected security interests in the Collateral. OWNER shall reimburse the BANK on demand for any sums advanced by the BANK for any of the purposes described herein. The amount of such advance(s) shall bear interest at the highest rate then payable on any of the Liabilities from the date thereof and both the amount of such advance and such interest shall constitute part of the Liabilities secured hereby.

23. DEFAULT. Upon the happening of any of the following events, each of which shall constitute a material default hereunder ("Default"), all Liabilities of OWNER and each Borrower to BANK, at the sole option of BANK, shall become immediately due and payable: (a) nonpayment of any of the Liabilities, or any portion thereof, when and in the manner due, whether by acceleration or otherwise; (b) failure by any OWNER or Borrower to perform, or cause to be performed, any covenant, agreement, condition or term of any Loan Document; (c) the occurrence of any Default or Event of Default under any Loan Document, all of which are hereby fully incorporated herein by this reference; (d) any Borrower or any OWNER defaults under any other loan, credit extension, note, lease, indenture, mortgage or any other instrument or agreement entered into with, or in favor of, the BANK, or defaults in the performance of any obligation incurred pursuant thereto; (e) any representation or warranty in any financial or other statement, schedule, certificate or other document of any Borrower or any OWNER delivered to the BANK by, or on behalf of, any such Borrower proves to be materially false, misleading or incomplete in any respect; (f) any BORROWER fails to furnish financial, or other information that the BANK may request; (g) any adverse change in the financial condition of any Borrower which causes the BANK to believe, in its reasonable opinion, that the performance of any of the obligations of any BORROWER under the Loan and/or any Loan Document(s) is impaired or doubtful; (h) if there is any change in any BORROWER's, partners or shareholders, as the case may be, which is unacceptable to the BANK in its sole, reasonable judgment; (i) any significant judgment is entered against any Borrower; (j) any part of the Collateral becomes subject to any mortgage, pledge, security interest or any other voluntary lien or encumbrance, to which the BANK does not first give its express written consent or any material property of any Borrower becomes the subject of any attachment, garnishment, levy or other involuntary lien; (k) any material part of the Collateral and/or any substantial part of the other property of any Borrower is taken or condemned by any governmental authority; (l) any Borrower assigns or otherwise transfers, or attempts to assign or transfer, any of its right, title and interest in any of the Collateral except inventory in the ordinary course of its business; (m) any Borrower expresses, whether orally or in writing, any intent to terminate or revoke responsibility for any of the Liabilities or for any covenant or other provision hereof or under any other Loan Documents; (n) a trustee or receiver is appointed for any Borrower or for all, or a substantial part, of its or their property in any involuntary proceeding, or any court has taken jurisdiction of all, or any substantial part, of the property of any Borrower in any involuntary proceeding, or any Borrower files a petition or answer not denying jurisdiction in bankruptcy or under any similar law, state or federal, now or hereafter existing, or such a petition is filed against any Borrower, or any Borrower becomes insolvent, howsoever evidenced, or makes an

assignment for the benefit of creditors or admits in writing its or their insolvency or inability or failure to pay its or their debts generally as they become due, or if any Borrower advertises a "going out of business" or liquidation sale, or holds or permits such a sale; (o) the obligations of any BORROWER ceases to be effective for any reason whatsoever; or pr) breach by any BORROWER of any other obligation or duty to the BANK.

24. REMEDIES.

(a) Upon the occurrence of one or more Defaults, and until such Default is cured, the BANK may exercise any one or more of the following remedies, which are cumulative and may be exercised singly or in any combination at any time and from time to time without notice or demand to the OWNER or any other Obligor under any Liabilities except as expressly required under this Security Agreement or any applicable provision of law which cannot be waived prior to any such Default:

(1) declare all or any part of the Liabilities, together with costs of collection, including reasonable outside attorneys' fees, immediately due and payable, as if the same had in the first instance been payable at such time, without requiring any recourse against any other person or property liable for, or securing, any of the Liabilities.

(2) exercise any right of set-off which the BANK may have against the OWNER or any other Obligor;

(3) exercise all or any of the rights and remedies of a secured party under the Pennsylvania (or other applicable state's) Uniform Commercial Code or as creditor under any other applicable law;

(4) require the OWNER to assemble the Collateral and any records pertaining thereto and make them available to the BANK at a time and place designated by the BANK;

(5) enter the premises of the OWNER and take possession of the Collateral and any records pertaining thereto; and also take possession of all personal property located in, or attached to, the Collateral without liability to the OWNER and hold such property for OWNER at OWNER's expense.

(6) use, operate, manage, lease or otherwise control the Collateral in any lawful manner; collect and receive all rents, deposits, income, revenue, earnings, issues and, in its sole discretion but without any obligation to do so, insure, maintain, repair, renovate, alter or remove the Collateral;

(7) grant extensions or compromise or settle any claim for less than face value relative to the Proceeds without prior notice to the OWNER or any other Obligor;

(8) use, in connection with any assembly, use or disposition of the Collateral, any trademark, trade name, trade style, copyright, copyright registration, brand, patent, patent right, license or technical process used or utilized by the OWNER;

(9) take such actions as the BANK may deem necessary or advisable to preserve, process, develop, maintain, protect, care for or insure the Collateral or any portion thereof, and OWNER hereby irrevocably appoints BANK as its attorney-in-fact to do all facts and things in connection therewith; or

(10) sell or otherwise dispose of all or any of the Collateral at any public or private sale at any time or times without advertisement or demand upon, or notice to, the OWNER or any other Obligor, all of which are hereby expressly waived to the extent permitted by law, with the right of the BANK or its nominee to become purchaser at any sale (unless prohibited by statute) free from any equity or redemption and from all other claims, and after deducting all legal and other expenses for collecting, maintaining and/or selling the Collateral and all outside attorneys' fees, legal or other expenses for collection, sale and delivery, apply the remaining proceeds of any such sale to pay (or hold as a reserve against) any of the Liabilities.

(b) Except to the extent limited by non-waivable provision of statute, the BANK shall not be liable to any person or entity whatsoever, for or in connection with, the exercise, method of exercise, delay or failure to exercise any of the remedies provided for herein, and OWNER shall indemnify, and hereby releases, waives and agrees to hold BANK harmless from any and all claims, liabilities, actions, costs, suits, demands, damages or losses whatsoever, occurring on account of, or in connection with, such exercise, method of exercise, delay or failure to exercise.

25. NOTICES. Any notices required to be given to the OWNER shall be deemed reasonably and properly given if mailed at least five (5) business days before any action contemplated in such notice shall be taken, postage prepaid, and addressed to the OWNER at the address set forth above in Section 1.

26. WAIVERS; INVALIDITY. No delay or failure by BANK in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by the BANK of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy provided for in this Security Agreement or otherwise. Any waiver by the BANK of any right or remedy or other provision of this Security Agreement shall not preclude the BANK from exercising or enforcing the same at any time or times thereafter.

If any provision of this Security Agreement shall be held for any reason to be invalid, illegal or unenforceable in any respect, such impairment shall not affect any other provisions hereof.

27. EXPENSES. The OWNER hereby agrees to pay or reimburse the BANK, immediately upon demand at any time or times, for all expenses incurred to perfect, protect and

maintain continuously perfected the BANK's security interests, and the priority thereof, in the Collateral, or to preserve, process, develop, maintain, protect, care for or insure any Collateral, or in the taking, holding, preparing for sale, lease or other disposition, selling, leasing, or otherwise disposing of the Collateral, or any other action taken by the BANK to enforce or exercise its rights or remedies under this Security Agreement, including, without limitation, all reasonable attorneys' fees, filing fees, documentary recordation taxes, appraisal charges and storage costs. If the BANK advances any sums for such purposes, OWNER shall reimburse the BANK thereof on demand, and such advance(s) shall bear interest at two percent (2%) per annum over the highest rate then payable on any of the Liabilities from the date(s) of such advance(s) and both the amount of such advance(s) and such interest shall constitute part of the Liabilities secured hereby.

28. LEGAL EFFECT. This Security Agreement shall bind, and inure to the benefit of the BANK, the OWNER, and their respective heirs, administrators, representatives, successors and permitted assigns.

29. CONSTRUCTION. Whenever used in this Security Agreement, unless the context clearly indicates a contrary intent:

(a) "Owner" shall mean and include each person or other entity (whether individual, corporation, partnership or unincorporated association) who executed this Security Agreement, and any subsequent owner of the Collateral, and its or their respective heirs, executors, administrators, successors and permitted assigns;

(b) the use of any gender shall include all genders;

(c) the singular shall include the plural, the plural shall include the singular;  
and

(d) if the OWNER is more than one person, all agreements, conditions, covenants, warranties, representations, and other provisions of this Security Agreement shall be the joint and several undertaking of each of them and shall bind each of them as fully as though each of them were named specifically herein.

30. APPLICABLE LAW. This Security Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania. All capitalized terms used herein shall have the meanings given to them by the Pennsylvania (or other applicable state's) Uniform Commercial Code, to the extent not otherwise defined herein.

31. ENTIRE AGREEMENT. This Security Agreement, and the documents executed and delivered pursuant hereto, constitute the entire agreement of the BANK and the OWNER and may be amended only by a writing signed by, or on behalf, of such party.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed this 30th day of December, 2003.

WITNESS:

LEHIGH VALLEY RAIL MANAGEMENT, LLC

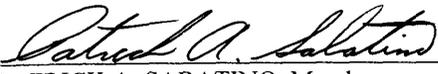
\_\_\_\_\_

By:   
AUGUST N. FIX, JR., Member

\_\_\_\_\_

By:   
PATRICK R. LOUGHLIN, Member

\_\_\_\_\_

By:   
PATRICK A. SABATINO, Member

\_\_\_\_\_

By:   
J. MICHAEL ZAIA, Member

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF NORTHAMPTON :

On this, the 30th day of December, 2003, before me, the undersigned officer, a notary public, personally appeared AUGUST N. FIX, JR., and acknowledged that he is a Member of Lehigh Valley Rail Management, LLC, and as such Member, he was authorized to execute the foregoing instrument on behalf of Lehigh Valley Rail Management, LLC, for the purposes therein contained.

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

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF NORTHAMPTON :

On this, the 30th day of December, 2003, before me, the undersigned officer, a notary public, personally appeared PATRICK R. LOUGHLIN, and acknowledged that he is a Member of Lehigh Valley Rail Management, LLC, and as such Member, he was authorized to execute the foregoing instrument on behalf of Lehigh Valley Rail Management, LLC, for the purposes therein contained.

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

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF NORTHAMPTON :

On this, the 30th day of December, 2003, before me, the undersigned officer, a notary public, personally appeared PATRICK A. SABATINO, and acknowledged that he is a Member of Lehigh Valley Rail Management, LLC, and as such Member, he was authorized to execute the foregoing instrument on behalf of Lehigh Valley Rail Management, LLC, for the purposes therein contained.

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

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF NORTHAMPTON :

On this, the 30th day of December, 2003, before me, the undersigned officer, a notary public, personally appeared J. MICHAEL ZAIA, and acknowledged that he is a Member of Lehigh Valley Rail Management, LLC, and as such Member, he was authorized to execute the foregoing instrument on behalf of Lehigh Valley Rail Management, LLC, for the purposes therein contained.

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

\_\_\_\_\_  
Notary Public