

# STARFIELD & SMITH, PC

ATTORNEYS AT LAW

501 OFFICE CENTER DRIVE, SUITE 350, FORT WASHINGTON, PA 19034  
PHONE: 215-542-7070 • FAX: 215-542-0723



July 27, 2005

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423

RECORDATION NO. 25757 FILED

AUG 04 '05

4-50 PM

SURFACE TRANSPORTATION BOARD

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) is an original and two (2) copies of a Memorandum of Security Agreement, dated as of July 26, 2005, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Secured Party: Business Loan Center, LLC  
645 Madison Avenue, 19<sup>th</sup> Floor  
New York, NY 19047

Borrower: East Penn Railways Inc.  
1973 Wellington Drive  
Langhorne, PA 19047

and

Penn Eastern Rail Lines, Inc.  
1973 Wellington Drive  
Langhorne, PA 19047

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

All railroad tracks, railroad cars, locomotives and other rolling stock NOW OWNED OR HEREAFTER ACQUIRED by the Borrower.

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

Memorandum of Security Agreement

Also enclosed is a check in the amount of \$33.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'E. Smith', with a long horizontal flourish extending to the right.

Ethan W. Smith, Esq.

Enclosures

AUG 04 '05

4-50 PM

SURFACE TRANSPORTATION BOARD

MEMORANDUM OF SECURITY AGREEMENT

This Memorandum of Security Agreement is made and entered into as of July 26, 2005, by and between BUSINESS LOAN CENTER, LLC, a Delaware limited liability company (hereinafter referred to as the "Secured Party") and EAST PENN RAILWAYS INC., a Delaware corporation and PENN EASTERN RAIL LINES, INC., a Delaware corporation (individually and jointly hereinafter referred to as the "Debtor").

Pursuant to the Loan Agreement and the Security Agreement dated as of July 26, 2005 (as amended, restated, modified and supplemented, the "Security Agreement") between Secured Party and Debtor, and subject to the terms and conditions set forth therein, Secured Party has agreed to make certain loans and extend other credit to Debtor. As security for the payment and fulfillment of its obligations to Secured Party under the Security Agreement and related documents, Debtor granted to Secured Party a security interest in, among other things, all assets, excluding accounts receivable and inventory, of the Debtor, as such terms are defined in the Pennsylvania Uniform Commercial Code (the "Code"), whether now owned or existing or hereafter created, manufactured, acquired or arising, including, without limitation, all railroad cars, locomotives, and other rolling stock, and the products, proceeds and accessions of and to any of the foregoing, as more particularly described on Exhibit A attached hereto and incorporated herein by reference as if fully set forth (hereinafter collectively referred to as the "Collateral").

As contemplated by the Security Agreement, Secured Party and Debtor hereby make this Memorandum of Security Agreement to confirm and perfect Secured Party's security interest in the Collateral, to the extent such security interest is perfectible by a filing with the Surface Transportation Board. Secured Party and Debtor further acknowledge and confirm that this Memorandum of Security Agreement is not a summary of the Security Agreement, nor a complete recitation of the terms and provisions thereof. Accordingly, Secured Party and Debtor agree that in the event of a conflict between this Memorandum of Security Agreement and the provisions of the Security Agreement, the provisions of the Security Agreement shall control.

This Memorandum of Security Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument



STATE/Commonwealth of Pennsylvania :  
 : SS  
COUNTY OF Montgomery :

On this 26<sup>th</sup> day of July, 2005, before me, the undersigned officer, personally appeared JOHN C. NOLAN, who acknowledged himself to be the PRESIDENT AND SECRETARY of EAST PENN RAILWAYS INC., at that he as such, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself as PRESIDENT AND SECRETARY.

In witness whereof, I hereunto set my hand and official seal.

NOTARIAL SEAL  
JESSICA M. KING, Notary Public  
Upper Dublin Twp., Montgomery County  
My Commission Expires February 18, 2007

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

STATE/Commonwealth of Pennsylvania :  
 : SS  
COUNTY OF Montgomery :

On this 26<sup>th</sup> day of July, 2005, before me, the undersigned officer, personally appeared JOHN C. NOLAN, who acknowledged himself to be the PRESIDENT AND SECRETARY of PENN EASTERN RAIL LINES, INC., at that he/she as such, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself as PRESIDENT AND SECRETARY.

In witness whereof, I hereunto set my hand and official seal.

NOTARIAL SEAL  
JESSICA M. KING, Notary Public  
Upper Dublin Twp., Montgomery County  
My Commission Expires February 18, 2007

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

EXHIBIT A

All tangible and intangible property of the Debtor, whether now owned or hereafter acquired, wherever located, including, but not limited to, the Debtor's interest now owned and hereafter acquired in the following types or items of property:

(i) all machinery, equipment, furniture, fixtures (whether or not any of the foregoing are affixed to realty), tools, and all accessions, accessories, replacements, parts, and the rights of the Debtor under any manufacturer's warranties relating to the foregoing;

(ii) all chattel paper;

(iii) all general intangibles, including, without limitation, any personal property, causes of action, goodwill, tax refunds, licences, franchises, trademarks, trade names, service marks, copyrights, customer lists, and patents, and all rights under license agreements for use of the same;

(iv) all instruments, including, without limitation, all certificated securities and all certificates of deposit;

(v) all railroad tracks, rail cars, locomotives, and other rolling stock, including, but not limited to, the following:

<u>Unit Number</u>	<u>Model</u>	<u>Serial No.</u>
EPRY 7811	B-30	30-731644
EPRY 7836	B-30	30-731669
EPRY 7874	B-30	30-731707
EPRY 5114	B-23	23-721944
PRL 2202	U-23-B	23-70516
PRL 204	U-23-B	23-82356
PRL 2206	U-23-B	23-82111
PRL 9008	NW-2	E845-14

(vi) all proceeds (as that term is defined in the Uniform Commercial Code) of any and/or all of the foregoing, including, without limitation, whatever is received upon the use, lease, sale, exchange, collections, any other utilization, or any disposition of any of the foregoing property, whether cash or non-cash, all rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, machinery, equipment, inventory, substitutions, additions, accessions, replacements, products, and renewals of, for, or to such property, and all insurance therefor.

JCW