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RECORDATION NO. 24921 FILED

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APR 20 '04 2-58 PM

SURFACE TRANSPORTATION BOARD

April 19, 2004
VIA: Overnight delivery

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 April 7, 2004.

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

Borrower/Debtor:

Lehigh Valley Rail Management, LLC
2535 Black River Road
Bethlehem, PA 18015

Secured Party:

Northampton County New Jobs Corp.
2158 Avenue C, Suite 200
Bethlehem, PA 18017

A description of the equipment covered by the document follows:

The 31 locomotives identified in more detail on Exhibit A to this letter.

GOLLATZ, GRIFFIN & EWING, P.C.

WEST CHESTER

PHILADELPHIA

WILMINGTON

EXHIBIT "A"

COLLATERAL

The existing machinery, equipment and other tangible personal property listed below, and all accessions, additions to, replacements for, and substitutions of Collateral, and all cash and non-cash proceeds and products 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]

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SURFACE TRANSPORTATION BOARD

SBFF LOAN NO. 23-1155-01

SECURITY AGREEMENT

THIS AGREEMENT made as of April 7, 2004 between LEHIGH VALLEY RAIL MANAGEMENT, LLC a limited liability company organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal offices at 2535 Black River Road, Bethlehem, Northampton County, Pennsylvania 18015 (the "Debtor") and NORTHAMPTON COUNTY NEW JOBS CORP., a non-profit corporation organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania (the "ALO"), having its principal office at 2158 Avenue C, Suite 200, Bethlehem, Pennsylvania 18017.

RECITALS

A. The ALO and the Debtor have entered into a Loan Agreement dated the same date as this Security Agreement (the "Loan Agreement"). Under the Loan Agreement, the ALO has agreed to lend the Debtor the principal sum of Two Hundred Thousand Dollars (\$200,000) (the "Loan") upon the terms and subject to the conditions of the Loan Agreement.

B. In order to evidence its obligation to repay the Loan, the Debtor has signed a Note dated the same date as this Security Agreement (the "Note") which it has delivered to the ALO. The Note describes the interest rate and the payment terms of the Loan. The Debtor has also delivered a mortgage (the "Mortgage") on the property located within the Bethlehem Commerce Center, Iron Hill Road, Bethlehem, PA (the "Property"). The Loan Agreement, the Note, the Mortgage and this Security Agreement are sometimes referred to together as the "Loan Documents."

NOW THEREFORE, in consideration of the Loan and intending to be legally bound, the Debtor hereby grants, covenants and agrees with the ALO as follows:

GRANTING CLAUSE

The Debtor grants to the ALO a security interest in the Collateral (as hereinafter defined).

This Security Agreement secures payment and performance by the Debtor to the ALO of the Debtor's obligations under the Loan Agreement.

DEFINITIONS

1. "Accounts", "chattel paper" (including "tangible chattel paper" and "electronic chattel paper"), "deposit accounts", "documents", "equipment", "fixtures", "general intangibles", "goods", "instruments", "inventory", "investment property", "payment intangibles", "proceeds" and "supporting obligations" shall each have the meaning set forth in the Pennsylvania Uniform Commercial Code.

2. "Additional Collateral" shall mean all funds of the Debtor on deposit with the Secured Party and property of any nature and the cash and non-cash proceeds thereof owned by the Debtor, or in which the Debtor has an interest, which now or hereafter are in the possession and control of the Secured Party, including, without limitation, deposit accounts.

3. "Collateral" shall mean all existing equipment of Debtor as shown on Exhibit A, and new equipment of Debtor at the Property, together with all accessions, additions to, replacements for and substitutions of Collateral and all cash and non-cash proceeds and products thereof.

4. "Pennsylvania Uniform Commercial Code" shall mean the Uniform Commercial Code as presently enacted in the Commonwealth of Pennsylvania (the "Commonwealth") (the "Existing Uniform Commercial Code") as supplemented or superseded by Revised Article 9 of the Uniform Commercial Code as enacted in the Commonwealth ("Revised Article 9"; together with the Existing Uniform Commercial Code, the "Pennsylvania Uniform Commercial Code").

5. "Rolling Stock" shall mean the railroad cars, locomotives and accessories referenced in 49 U.S.C. §11301.

6. "U.C.C." shall mean the Pennsylvania Uniform Commercial Code.

All other capitalized terms used in this Security Agreement and not defined in this Security Agreement will have the meanings as defined in the Loan Agreement.

LOCATION AND USE OF COLLATERAL

Debtor has good, marketable and unencumbered title to the Collateral which it has already acquired and Debtor will have good, marketable and unencumbered title to the Collateral which the Debtor may acquire in the future. Debtor covenants that the Collateral will be used primarily for Debtor's business. The Collateral consisting of fixtures and tangible personal property, other than Rolling Stock, is or will be located at the Property. Debtor will not permit any of the Collateral other than Rolling Stock to be removed from the Property without the prior written consent of the ALO.

The Collateral may be attached to the Property in such a manner as to become a fixture and in that case the security interest created by this Security Agreement will attach to the fixtures. The Debtor will furnish a written disclaimer of any interest in the Collateral by any lessor/encumbrancer of the Property.

DEBTOR'S DUTIES

1. The Debtor will not permit any other lien or security interest to attach to the Collateral nor permit the Collateral to be levied upon, attached or seized, nor permit the Collateral to become an accession to other goods. The Debtor will defend the Collateral against the claims and demands of all persons except the ALO which shall hold a third-lien security interest in the Collateral, subordinated only to the security interests held by Keystone Nazareth Bank & Trust Company and MELF. The Debtor will not lease or dispose of the Collateral without the prior written consent of the ALO.

2. The Debtor agrees to comply with any governmental regulations or statutes which apply to the Collateral and will not commit nor permit any act of waste or injury to the Collateral nor use or permit use of the Collateral in any unlawful manner. The Debtor will keep the Collateral in good repair. The ALO may inspect the Collateral at reasonable times and intervals and may for this purpose enter the Property.

3. The Debtor will keep the Collateral continuously insured with such carriers, and in such amount, and against such risks as shall be reasonably satisfactory to the ALO, with the loss payable clause in favor of the ALO. All policies of insurance will provide for thirty days' written notice of cancellation to the ALO, and the Debtor will furnish the ALO with evidence of compliance with these requirements.

4. The Debtor will pay all taxes or other governmental charges levied against the Collateral or its use before they become delinquent, unless subject to a pending administrative appeal or proceeding, and Debtor will provide the ALO with evidence of payment upon request.

5. The Debtor will execute from time to time any financing statements or other documents and do other acts reasonably considered by the ALO to be appropriate to perfect or protect the security interest in the Collateral and will pay all costs and expenses (including reasonable fees and expenses of outside counsel and filing fees) related to the preparation and filing of any financing statements, continuation statements or other documents related to the protection of the security interest.

6. The Debtor hereby authorizes the ALO, at any time and from time to time, to file financing statements, continuation statements and amendments thereto that describe the Collateral in particular or words of similar effect and which contain any other information required by the U.C.C. for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor. The Debtor agrees to furnish any such information to the ALO promptly upon reasonable request. Any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction.

7. The Debtor shall, at any time and from time to time, take such steps as the ALO may reasonably require for the ALO, (i) to obtain an acknowledgment, in form and substance satisfactory to the ALO, of any third party having possession of any of the Collateral that the third party holds such Collateral for the benefit of the ALO, and (ii) otherwise to ensure the continued perfection and priority of the ALO's security interest in any of the Collateral and of the preservation of its rights therein.

8. The Debtor will, at its expense, execute, deliver, file and record (in such manner and form as the ALO may at any time reasonably require), and authorize the ALO to file and record, any financing statements, any carbon, photographic or other reproduction of a financing statement or of this Security Agreement (which shall be sufficient as a financing statement hereunder), any specific assignments or other paper that may be reasonably necessary or desirable or that the ALO may reasonably request, to create, preserve, perfect, continue or validate any security interest or to enable the ALO to exercise and enforce its rights hereunder with respect to any of the Collateral.

9. The Debtor will notify the ALO of any change in the Debtor's name 60 days prior to the effective date of the name change.

10. At its option, and without any obligation to do so the ALO may pay any taxes, assessments, liens, security interest or other encumbrances at any time placed against the Collateral, and may pay for insurance, repair and preservation of Collateral and any necessary expenses, including reasonable attorney fees to protect the priorities of the ALO's interests in the Collateral and in exercising its rights and remedies on default, provided that Debtor fails to pay such amounts as required. Any amount so paid will be repaid by the Debtor, together with interest at the rate of 15% per annum, and will be part of the obligations secured hereby.

11. The Debtor agrees to indemnify and save harmless the ALO from any loss, or damage caused by the Collateral or its use and to immediately give written notice to the ALO of any loss or damage to, or loss of possession of, the Collateral, occasioned by any cause whatsoever.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

The Debtor, as of the date hereof, hereby represents, warrants and covenants as follows:

1. The Debtor is a limited liability company organized under the laws of the Commonwealth of Pennsylvania. The Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement. The Debtor agrees that it will preserve its corporate existence and will not, either in one transaction or a series of transactions, merge into or consolidate with any entity or change its name without providing the ALO sixty (60) days' prior written notice of a proposed change in name.

2. The Debtor's registered office is 2535 Black River Road, Bethlehem, Northampton County, Pennsylvania 18015.

3. The Debtor shall give thirty (30) days' prior written notice to the ALO of any new place of business and of the closing of any existing place of business.

4. The Debtor shall give thirty (30) days' prior written notice to the ALO of any change in: (i) Debtor's registered office; (ii) Debtor's form of entity; or (iii) the jurisdiction in which Debtor is organized.

EVENTS OF DEFAULT

Time is of the essence in the interpretation of this Security Agreement.

The Debtor will be in default upon the happening of any of the following events: (a) an Event of Default under the Loan Agreement; (b) if the Collateral is seized or levied upon under any legal or governmental process against the Debtor or against the Collateral and is not released within thirty (30) days; (c) if the Debtor defaults in its compliance with any of the covenants contained in this Security Agreement and fails to cure such default within thirty (30) days after written notice, or if the default cannot be cured within thirty (30) days, if Borrower has not commenced action to cure the default within thirty (30) days or does not continue to diligently pursue the cure thereafter; or (d) if the Collateral is lost, stolen, substantially damaged, destroyed, or other than Rolling Stock, is moved from the Property without the consent of the ALO.

REMEDIES ON DEFAULT

Upon default, in addition to the remedies provided in the Loan Agreement and the other Loan Documents, the ALO will have the immediate right to pursue any or all of the remedies available to a secured party under Pennsylvania law. In furtherance of those remedies, the ALO may require the Debtor to assemble all or any part of the Collateral and make it available to the ALO at any place designated in a notice sent to the Debtor. The Debtor agrees that the Debtor's property secured by the Mortgage is a place reasonably convenient to it to assemble the Collateral.

The Debtor agrees that a notice sent to it by first class mail thirty days before the time of any public sale or the time after which any private sale or other disposition of the Collateral is to be made, will be reasonable notice of such sale or other disposition.

POWER OF ATTORNEY

Subject only to the rights of Keystone Nazareth Bank & Trust Company and MELF, upon an Event of Default and after demand by the ALO for payment of the obligations in full or acceleration of the obligations by the holder of the Note, the Debtor does hereby irrevocably make, constitute and appoint the ALO and any of its officers, employees or agents as the true and lawful attorneys of the Debtor with power to:

1. sign the name of the Debtor on any financing statement, renewal financing statement, notice or other similar document which, in the ALO's opinion, must be filed to perfect or continue perfected the security interests;

2. receive, endorse, assign and deliver, in the name of the Debtor or in the name of the ALO, all checks, notes, drafts and other instruments relating to any Collateral including but not limited to receiving, opening and properly disposing of all mail addressed to the Debtor concerning accounts and to notify postal authorities to change the address for delivery of mail to such address as the ALO may designate;

3. sign the name of the Debtor on any invoice or bill of lading relating to any accounts, drafts against account debtors, schedules and assignments of accounts, notices of assignment, verification of accounts and notices to account debtors; and

4. do all other things necessary to carry out the provisions of this Security Agreement and the Loan Documents.

Neither the ALO nor any attorney will be liable for any act of commission or omission, excluding willful misconduct or gross negligence, nor for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as any of the obligations remain unpaid.

NON-WAIVER, ADEQUATE NOTICE, AND PROHIBITION OF ORAL MODIFICATIONS

No failure or delay of the ALO in exercising any right or remedy will be a waiver thereof. No single or partial exercise by the ALO of any right or remedy hereunder will preclude any other or future exercise of any other right or remedy. Any notice required to be given may be given by mailing such notice by first class mail, postage prepaid, to the Debtor's address as it appears in this Security Agreement, or at such subsequent address of the Debtor as may be shown in the ALO's records from time to time. This Security Agreement will be interpreted in accordance

with the laws of the Commonwealth of Pennsylvania. The venue of any action brought upon this Security Agreement, will be Northampton County, unless the ALO agrees in writing to another location. All the terms of this Security Agreement will inure to the benefit of and bind the successors and assignees of the parties. This Security Agreement may be amended in writing only. Such amendment must be executed by any party against whom enforcement of any waiver, modification or discharge is sought.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of this 1st day of April, 2004.

WITNESS:

DEBTOR:

LEHIGH VALLEY RAIL MANAGEMENT, LLC

By: _____

Name: Patrick R. Loughlin
Title: Managing Member

By: _____

Name: August N. Fix, Jr.
Title: Managing Member

ATTEST:

SECURED PARTY:

NORTHAMPTON COUNTY NEW JOBS CORP.

By: _____

Name: Janet R. Smith
Title: Assistant Secretary

By: _____

Name: J. Lee Boucher
Title: President

(CORPORATE SEAL)

EXHIBIT "A"

COLLATERAL

The existing machinery, equipment and other tangible personal property listed below, and all accessions, additions to, replacements for, and substitutions of Collateral, and all cash and non-cash proceeds and products 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

<u>Number</u>	<u>Type</u>	<u>Number</u>	<u>Type</u>
PBNE 41	Caterpillar IT28 Front End Loader	PBNE 193	Plasser Track
Tamper PBNE 46	Case Backhoe	PBNE 205	Pettibone 360
Speedswing PBNE 35	Kershaw Yard Cleaner		

Shop Equipment

<u>Number</u>	<u>Type</u>
n/a	(4) 35 ton Whiting Locomotive Jacks (PBNE)
n/a	PBNE Sand Tower

Miscellaneous Equipment

<u>Number</u>	<u>Type</u>
PBNE 132	1994 Ford F150 Van
PBNE 215	1989 Ford F700 Truck
PBNE 142	2000 GMC Pickup Truck
PBNE 209	1988 Ford F700 Dump