

FLETCHER & SIPPEL LLC

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March 16, 2011

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Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E. Street, S.W.
Washington, D.C. 20423
Attn: Office of Recordations

Dear Ms. Brown:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) is a Memorandum of Loan and Security Agreement, dated as of March 14, 2011, 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 documents are:

Debtors:

East Penn Railroad, LLC
Regional Rail LLC
Middletown & New Jersey Railroad, LLC
505 South Broad Street
Kennet Square, Pennsylvania 19348
Secured Party:

Fifth Third Bank
222 South Riverside Place
32nd Floor
Chicago, Illinois 60606

A description of the railroad equipment is included as Exhibit A to the documents. Included in the property covered by the aforesaid Loan and Security Agreement are locomotives, rolling stock and equipment intended for use and related to interstate commerce, and includes locomotives, rolling stock or equipment acquired by Debtors or its or their successors **after the date** of the Loan and Security Agreement.

A check in the amount of \$41.00 payable to the order of the Surface Transportation Board covering the required recordation fee is being sent separately.

Respectfully submitted,


Jeremy M. Berman
Attorney for Secured Party

Enclosures.

**MEMORANDUM OF
LOAN AND SECURITY AGREEMENT**

THIS MEMORANDUM OF LOAN AND SECURITY AGREEMENT (the "Memorandum") dated as of March 14, 2011, is made by and between Fifth Third Bank, an Ohio banking corporation, successor by merger with Fifth Third Bank, a Michigan banking corporation, at its offices at 222 South Riverside Plaza, 32nd Floor, Chicago, Illinois 60606, (the "Bank"), and East Penn Railroad, LLC a Delaware Limited Liability Company, Middletown & New Jersey Railroad, LLC, a Delaware Limited Liability Company, and Regional Rail LLC, a Delaware Limited Liability Company, each with its chief executive office and principal place of business at 505 South Broad Street, Kennet Square, Pennsylvania 19348 (collectively, the "Borrower").

Borrower and the Bank hereby state the following:

1. Borrower and the Bank are parties to that certain Loan and Security Agreement dated as of March 14, 2011 (the "Loan Agreement") (capitalized terms used herein and not otherwise defined shall have the meaning given in the Loan Agreement), whereby the Bank loaned Borrower certain funds *inter alia* to facilitate the purchase or financing of the Locomotives and Railcars more specifically identified on Exhibit A attached hereto and made a part hereof and any Locomotives and Railcars acquired by Borrowers subsequent to March 14, 2011.
2. Borrower's obligations under the Loan Agreement and other loan documents are evidenced by and payable in accordance with the Loan Agreement.
3. Pursuant to the terms of the Loan Agreement and to secure the payment and performance of any and all of Borrower's obligations to the Bank, Borrower granted to the Bank a continuing, first priority security interest in and to, and chattel mortgage lien on, all of the Borrower's right, title and interest in and to the Locomotives and Railcars to have and to hold all and every part of the Locomotives and Railcars unto the Bank, its successors and assigns, for its and their own use and benefit forever.

Exhibit A

1) LOCOMOTIVES:

- a. At Kennett Square, PA:
 - i. ESPN 1800 (GP-18)
 - ii. ESPN 1802 (GP-18)
 - iii. ESPN 1804 (GP-18)
 - iv. PRL 2206 (GE U23B)
 - v. EPRY 7874 (GE B30-7)

- b. At Reinholds, PA:
 - i. PRL 2202 (GE U23B)
 - ii. PRL 2204 (GE U23B)

- c. At Quakertown, PA:
 - i. EPRY 3153 (GE B23-7)

- d. At N. Philadelphia:
 - i. PRL 57 (GP-10)

- e. At East Greenville, PA:
 - i. PRL 7554 (GP-10)
 - ii. ESPN 1701 (GP-9) Bought and in route, not yet in property.

- f. At Bristol, PA:
 - i. PRL 81 (NW-2)

- g. At King of Prussia, PA.:
 - i. EPRY 9008 (NW-2)

- h. At Tipton, PA.:
 - i. EPRY 52 (SW-900)

- i. At Middletown, NY:
 - i. ESPN 7811 (GE B30-7)
 - ii. ESPN 5114 (GE B23-7)
 - iii. MNJ 773 (GP-9)
 - iv. MNJ 1 (GE 44 Ton)

2) VEHICLES AND EQUIPMENT:

- a. At Kennett Square, PA:
 - i. Hy-Rail Brush Cutter
 - ii. Mark 1 Tracker Tamper
 - iii. Kershaw Tie Crane
 - iv. Case Rubber Tire Loader
 - v. '85 International Hy-Rail Dump/Boom
 - vi. '95 Chevy Hy-Rail Extended Cab Pick-up
 - vii. '02 Ford F-350 Hy-Rail
 - viii. '88 G3WD Gradall
 - ix. '01 Flatbed Trailer
 - x. '88 GMC White Grapple Truck
 - xi. '02 Case Backhoe
 - xii. '03 Chevrolet 2500HD Hy-Rail
 - xiii. '02 Ford Explorer
 - xiv. '88 International 4900 Crane Truck

- b. At Quakertown, PA:
 - i. Kershaw Tie Crane
 - ii. '78 Chevy Hy-Rail

- c. At Upper Merion Township, PA:
 - i. '85 Hy-Rail Inspection Truck

- d. At Middletown, NY:
 - i. '97 Chevrolet Hy-Rail Truck

3) RAIL CARS:

- a. At Kennett Square, PA:
 - i. PRL 5106 (Ballast Car)
 - ii. PRL 5107 (Ballast Car)

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed as of the date first above written.

WITNESS: East Penn Railroad, LLC a Delaware Limited Liability Company

_____ By: _____

Title: _____

WITNESS: Middletown & New Jersey Railroad, LLC, a Delaware Limited Liability Company

_____ By: _____

Title: _____

WITNESS: Regional Rail, LLC, a Delaware Limited Liability Company

_____ By: _____

Title: _____

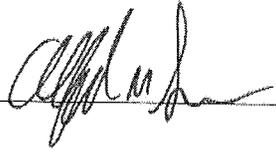
WITNESS: Fifth Third Bank, an Ohio banking corporation

_____ By:  _____

Title: Craig Schuth
Vice President
Fifth Third Bank

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed as of the date first above written.

WITNESS:



East Penn Railroad, LLC a Delaware Limited Liability Company

By:



Title:

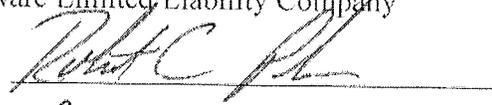
PRESIDENT AND CEO

WITNESS:



Middletown & New Jersey Railroad, LLC, a Delaware Limited Liability Company

By:



Title:

PRESIDENT AND CEO

WITNESS:



Regional Rail, LLC, a Delaware Limited Liability Company

By:



Title:

PRESIDENT AND CEO

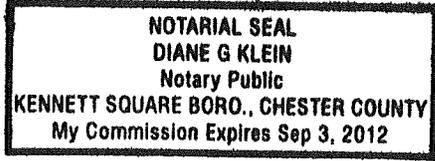
WITNESS:

Fifth Third Bank, an Ohio banking corporation

By: _____

Title: _____

STATE OF PENNSYLVANIA)
) ss
COUNTY OF CHESTER)



On this 14th day of March, 2011, before me, a Notary Public of the County and State aforesaid, personally appeared ROBERT PARKER to me personally known, who being by me duly sworn, says that he is the PRESIDENT of East Penn Railroad, LLC a Delaware Limited Liability Company, that said instrument was signed on behalf of said company by authority of its members, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said company.

AS WITNESS my hand and notarial seal.

Diane G Klein
Notary Public

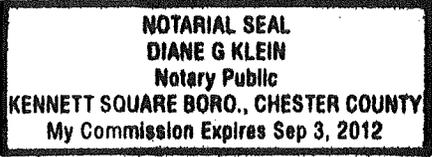
STATE OF PENNSYLVANIA)
) ss
COUNTY OF CHESTER)



On this 14th day of March, 2011, before me, a Notary Public of the County and State aforesaid, personally appeared ROBERT PARKER to me personally known, who being by me duly sworn, says that (s)he is the PRESIDENT of Middletown & New Jersey Railroad, LLC, a Delaware Limited Liability Company, that said instrument was signed on behalf of said company by authority of its members, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said company.

AS WITNESS my hand and notarial seal.

Diane G Klein
Notary Public



STATE OF PENNSYLVANIA)
) ss
COUNTY OF CHESTER)

On this 14th day of March, 2011, before me, a Notary Public of the County and State aforesaid, personally appeared ROBERT PARKER to me personally known, who being by me duly sworn, says that (s)he is the PRESIDENT of Regional Rail, LLC, a Delaware Limited Liability Company, that said instrument was signed on behalf of said company by authority of its members, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said company.

AS WITNESS my hand and notarial seal.

Diane G. Klein
Notary Public

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

On this ___ day of March, 2011, before me, a Notary Public of the County and State aforesaid, personally appeared _____ to me personally known, who being by me duly sworn, says that he is the _____ of Fifth Third Bank, an Ohio banking corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.

Notary Public