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RECORDATION NO. 24938 FILED
MAY 3 '04 1-58 PM
SURFACE TRANSPORTATION BOARD

May 3, 2004

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423-0001
Attn: Equipment recordations

To Whom It May Concern:

I am enclosing for recordation pursuant to the provisions of 49 U.S.C. 11301 a Chattel Mortgage and Security Agreement dated April 16, 2004, and executed by Frontier Logistics, L.P., in favor of Washington Mutual Bank FA, a primary document.

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

Lender/mortgagee: Washington Mutual Bank, F.A.
Schaumburg Commercial Banking Center
650 East Algonquid Road
Schaumburg, IL 60173

Borrower/mortgagor: Frontier Logistics, L.P.
101 East Barbours Cut Blvd.
Morgan's Point, TX 77571

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

One EMD model SW-8 800 HP switching locomotive
bearing road number WAMX 803, engine type 8-567-C
and serial number 56-H-33

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

"Chattel Mortgage and Security Agreement"

Also enclosed is a check in the amount of \$30 payable to the Surface Transportation Board to cover the required recordation fee.

Hon. Vernon A. Williams
May 3, 2004
Page two

Please date stamp and return to me one copy of the enclosed document.

Sincerely yours,



John D. Heifner

Enclosure

cc: Pat Trendacosta, Esq.

MAY 3 '04

1-58 PM

CHattel Mortgage and Security Agreement

SURFACE TRANSPORTATION BOARD

THIS CHATTEL MORTGAGE AND SECURITY AGREEMENT is entered into as of this 16th day of April, 2004, by Mortgagor to and for the benefit of Mortgagee.

1. DEFINITIONS

As used in this Agreement, the following terms shall have the following definitions:

1.1 The term "this Agreement" means and includes this Chattel Mortgage and Security Agreement, any concurrent or subsequent exhibits or schedules to this Chattel Mortgage and Security Agreement, and any extensions, supplements, amendments or modifications to this Chattel Mortgage and Security Agreement, and/or to any such exhibits or schedules.

1.2 The term "the Code" means and refers to the Uniform Commercial Code as enacted by the State of Illinois and any and all terms used in this Agreement which are defined in the Code shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the Code.

1.3 The term "Collateral" means and includes each and all of the following: (i) the Electric Locomotive; (ii) the Engine; (iii) all right, title and interest of Mortgagor in and to any Lease, rental agreement, charter agreement, or other agreement(s) respecting the Locomotive and the Engine, including, but not limited to, Mortgagor's right to receive, either directly or indirectly, from any party or person, any rents or other payments due under such agreement(s); (iv) any and all deposit accounts (special, general, or otherwise) of Mortgagor maintained with Lender; (v) any money or other assets of Mortgagor which now or hereafter come into the possession, custody or control of Lender; and (vi) the proceeds of any of the foregoing items (i) through (v), including, but not limited to, proceeds of insurance covering the Electric Locomotive, the Engine, and/or any other portion of the Collateral, and any and all accounts, general intangibles, contract rights, inventory, equipment, money, drafts, instruments, deposit accounts, or other tangible and intangible property of Mortgagor resulting from the sale (authorized or unauthorized) or other disposition of the Collateral, or any portion thereof, and the proceeds of such proceeds.

1.4 The term "Electric Locomotive" shall mean the 1961 Diesel Electric Locomotive, Model No. SW8, manufactured by E.M.D.-Electro Motive Division of G.M.

1.5 The term "Engine" means and includes that certain engine identified on Exhibit "A" attached hereto and incorporated herein by this reference, and any other engines which either now or in the future are installed on, appurtenant to, or delivered with or in respect of the Electric Locomotive, together with any and all parts, appliances, components, accessories, accessions, attachments or equipment installed on, appurtenant to, or delivered with or in respect of such engines. The term "Engine" shall also refer to any replacement Locomotive engine which Mortgagor is required or permitted, under this Agreement, to install upon the Electric

Locomotive and as to which Mortgagor complies with each of the applicable requirements contained in this Agreement.

1.6 The term "Event of Default" means and includes the occurrence of any one or more of the events set forth in Section 4.1 of this Agreement.

1.7 The term "Insolvency Proceeding" means and includes any proceeding commenced by or against any person or entity, under any provision of the U.S. Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with some or all creditors.

1.8 The term "Judicial Officer or Assignee" means and includes any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors.

1.9 The term "Lease" means and refers to any assignment, lease, sublease or other delivery, transfer or relinquishment of possession of the Locomotive or the Engine or any installation of such Engine on any other locomotive other than the Electric Locomotive.

1.10 The term "Lender" means and refers to Washington Mutual Bank, FA, with its branch office located at Schaumburg Commercial Banking Center, 650 East Algonquid Road, Schaumburg, Illinois 60173.

1.11 The term "Lessee" shall mean any assignee, lessee, sublessee or transferee under any Lease.

1.12 The term "Loan Agreement" means and includes that certain Business Loan Agreement dated February 17, 2004, among Lender, Mortgagor and Frontier Services Ltd. ("FS"), pursuant to which Lender has extended, or has agreed to extend certain financial accommodations to Mortgagor, together with any and all concurrent or subsequent exhibits, schedules, extensions, supplements, amendments or modifications thereto.

1.13 The term "Locomotive" means and includes: (i) the Electric Locomotive; (ii) the Engine; and (iii) all manuals, records, maintenance records, and other historical records or information of Mortgagor relating to the foregoing item (i) and/or item (ii).

1.14 The term "Mortgagee" means and refers to Lender.

1.15 The term "Mortgagor" means and refers to, individually and collectively, Frontier Logistics, L.P., an Illinois limited partnership.

1.16 The term "Note" means and includes that certain Promissory Note dated April 16, 2004, in the maximum original principal sum of \$95,000.00 executed by Mortgagor and FS in favor of Mortgagee, together with any and all concurrent or subsequent extensions, amendments, or modifications thereto.

1.17 The term "Obligations" means and includes any and all loans, advances, overdrafts, debts, liabilities, obligations (including, without limitation, any and all amounts evidenced by the Loan Agreement and the Note, any amounts charged to Mortgagor's account with Lender pursuant to any present or future agreement authorizing Lender to so charge such account, any and all interest which is not paid when due, if any, and all Lender Expenses which Mortgagor and/or Mortgagor is required to pay or reimburse by this Agreement, by law, or otherwise), guaranties, covenants and duties owing by Mortgagor and/or Mortgagor to Lender, of any kind or description, arising out of or in connection with, or related to the transactions contemplated by the Loan Agreement, the Note, this Agreement, and/or any other agreement(s) between Mortgagor and Lender entered into in connection therewith, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

1.18 The term "Lender Expenses" means and includes (a) all costs or expenses which Mortgagor and/or Mortgagor are required to pay or cause to be paid under this Agreement or the Loan Agreement and which are paid or advanced by Lender pursuant to the provisions of this Agreement; (b) all taxes and insurance premiums of every nature and kind which Mortgagor and/or Mortgagor is required to pay or cause to be paid under this Agreement or the Loan Agreement and which are paid or advanced by Lender pursuant to the provisions of this Agreement; (c) all filing, recording, publication and search fees paid or incurred by Lender in connection with the transactions contemplated by this Agreement and/or the Loan Agreement; (d) all costs and expenses paid or incurred by Lender (with or without suit), to correct any default or enforce any provisions of this Agreement, the Loan Agreement, or the Note, or in gaining possession of, maintaining, handling, preserving, storing, refurbishing, appraising, selling, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated; (e) all costs and expenses of suit paid or incurred by Lender and/or Mortgagor in enforcing or defending this Agreement, the Loan Agreement, or the Note, or any portion of any thereof; and (f) attorneys' fees and expenses paid or incurred by Lender in advising, structuring, drafting, reviewing, amending, terminating, enforcing, defending or concerning this Agreement, the Loan Agreement, or the Note, or any portion of any thereof, whether or not suit is brought, and including any action brought in any Insolvency Proceeding.

1.19 The term "STB" means and refers to the United States Surface Transportation Board, or any successor or replacement administration or governmental agency having the same or similar authority and responsibilities.

2. CREATION OF SECURITY INTEREST

2.1 Security Interest in Collateral. Mortgagor hereby grants to Mortgagee a continuing, first priority security interest in and lien upon the Collateral in order to secure prompt repayment of any and all Obligations owed by Mortgagor to Lender and in order to secure prompt performance of any and all other Obligations to be performed by Mortgagor. Mortgagee's security interest in and lien upon the Collateral shall attach to all of the Collateral upon the execution and delivery of this Agreement, without further act being required on the part of either Mortgagor, Mortgagee or Lender.

2.2 Security Instruments; Further Assurances. Mortgagor will perform, or will cause to be performed, each and all of the following:

(a) Record, register and file this Agreement, as well as such notices, financing statements, and/or other documents or instruments as may, from time to time, be requested by Lender to fully carry out the intent of this Agreement, with: (i) the STB in Washington, D.C., concurrent with the execution and delivery of this Agreement; (ii) the Secretary of State of the State of Illinois; and (iii) such other administrations or governmental agencies, whether domestic or foreign, as may be determined by Lender to be necessary or advisable in order to perfect, establish, confirm and maintain the security interest and lien created hereunder, as a legal, valid, and binding, first priority security interest and lien upon the Collateral.

(b) Furnish to Lender evidence of every such recording, registering and filing.

(c) As soon as practicable after the date hereof, (i) cause the Locomotive and, if not prevented by applicable law or regulations of governmental authority, and if it will not adversely effect the proper use thereof, legibly mark the Engine in a reasonably prominent location with a plate, disk, or other marking of customary size, bearing a legend as shall, in the opinion of Lender, be appropriate or desirable to evidence the fact that it is subject to the lien and security interest created by this Agreement and, until the Locomotive or Engine is released from the lien and security interest of this Agreement, Mortgagor shall not remove or deface, or permit to be removed or defaced, any such plate, disk, or other marking for the identifying manufacturers' serial number, and, in the event of such removal or defacement, shall promptly cause such plate, disk, or other marking or serial number to be promptly replaced; and (ii) cause this Agreement and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded, at all times in such places in the United States to which the Locomotive shall be operated as shall be required in order to perfect and preserve the rights of Lender hereunder.

(d) Execute and deliver or perform, or cause to be executed and delivered or performed, such further and other instruments and/or acts as Lender determines are necessary or required to fully carry out the intent and purpose of this Agreement or to subject the Collateral to the security interest and lien created hereunder, including, without limitation: (i) any and all acts and things which may be reasonably requested by Lender with respect to complying with or remaining subject to the laws and regulations of the STB, or the laws and regulations of any of the various states in which the Locomotive operates in, or becomes located in; and (ii) defending the title of Mortgagor to the Collateral by means of negotiation and, if necessary, appropriate legal proceedings, against each and every party claiming an interest therein contrary or adverse to Mortgagor's title to same.

2.3 Power of Attorney. Mortgagor hereby irrevocably appoints Mortgagee as its attorney-in-fact and agent with full power of substitution and re-substitution for Mortgagor and in its name to do, at Mortgagee's option, any one or more of the following acts upon the occurrence of an Event of Default: (a) to examine and retain all mail addressed to Mortgagor which relates to the Collateral; (b) to endorse the name of the Mortgagor on any checks or other instruments or evidences of payment or other documents, drafts, or instruments arising in connection with or pertaining to the Collateral, to the extent that any such items come into the possession of the Mortgagee; (c) to compromise, prosecute or defend any action, claim, or

proceeding concerning the Collateral; (d) to do any and all acts which Mortgagor is obligated to do under this Agreement; (e) to exercise such rights as Mortgagor might exercise relative to the Collateral, including, without limitation, the leasing, chartering, or other utilization thereof; (f) to give notice of Lender's security interest in and lien upon the Collateral, including, without limitation, notification to lessees and/or other account debtors of the Lender's security interest in the rents and other payments due to Mortgagor relative to the Collateral, and the collection of any such rents or other payments; and (g) to file any notices, financing statements, and other documents or instruments Lender determines are necessary or required to fully carry out the intent and purpose of this Agreement or to perfect Mortgagee's security interest and lien in and upon the Collateral. Mortgagor hereby ratifies and approves all that Lender shall do or cause to be done by virtue of the power of attorney granted in this Section 2.3 and agrees that neither Lender, nor any of its employees, agents, officers, or its attorneys, will be liable for any acts or omissions or for any error of judgment or mistake of fact or law made while acting pursuant to the provisions of this Section 2.3 and in good faith. The appointment of Mortgagee as Mortgagor's attorney-in-fact, and each and every one of Mortgagee's rights and powers in connection therewith, being coupled with an interest, are and shall remain irrevocable until all of Mortgagor's Obligations have been fully paid and performed.

3. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF MORTGAGOR

By executing and delivering this Agreement, and continually thereafter until each and all of Mortgagor's Obligations have been fully paid and performed, Mortgagor represents, warrants, and covenants to Mortgagee and Lender as follows:

3.1 Compliance with Laws.

(a) Mortgagor will neither use the Collateral, nor permit the Collateral to be used, for any unlawful purpose or contrary to any statute, law, ordinance or regulation relating to the registration, use, operation or control of the Collateral. Mortgagor will comply with, or cause to be complied with, at all times and in all respects, all statutes, laws, ordinances and regulations of the United States (including, without limitation, the STB), the State of Texas, and of all other governmental, regulatory, or judicial bodies applicable to the registration, use, operation, maintenance, overhauling, or condition of the Collateral, or any part thereof, and with all requirements under any licenses, permits, or certificates relating to the use or operation of the Collateral which are issued to Mortgagor or to any other person having operational control of the Collateral; provided, however, that Mortgagor may, in good faith and by appropriate legal or other proceedings, contest the validity of any such statutes, laws, ordinances or regulations, or the requirements of any such licenses, permits, or certificates, and pending the determination of such contest may postpone compliance therewith, unless the rights of Lender hereunder are or may be materially adversely affected thereby.

(b) Without limiting the generality of the foregoing, Mortgagor agrees that at no time during the effectiveness of this Agreement shall the Locomotive be operated in, located in, or relocated to, by Mortgagor or any other person or entity, any jurisdiction other than the state of Texas and any notices, financing statements, documents, or instruments necessary or required, in the opinion of counsel for Lender, to be filed in such jurisdiction shall have been filed and file stamped copies thereof shall have been furnished to Lender. The foregoing

authority to use the Locomotive to the contrary notwithstanding, at no time shall the Locomotive be operated in or over any area which may expose Lender to any penalty, fine, sanction or other liability, whether civil or criminal, under any applicable law, rule, treaty or convention, nor may the Locomotive be used in any manner which is or is declared to be illegal and which may thereby render the Locomotive liable to confiscation, seizure, detention or destruction.

3.2 Maintenance and Repair.

(a) During the effectiveness of this Agreement, Mortgagor shall, at its expense, do or cause to be done each and all of the following:

- i. Maintain and keep the Collateral in as good condition and repair as it is on the date of this Agreement, ordinary wear and tear excepted;
- ii. Maintain and keep the Locomotive in good order and repair in accordance with the requirements of the manufacturers' manuals;
- iii. Replace in or on the Electric Locomotive, any and all engines, parts, appliances, instruments or accessories which may be worn out, lost, destroyed or otherwise rendered unfit for use.

(b) Mortgagor shall be responsible for all required inspections of the Locomotive and licensing or re-licensing of the Locomotive in accordance with all applicable STB and other governmental requirements.

(c) All inspections, maintenance, modifications, repairs, and overhauls of the Locomotive (including those performed on the Electric Locomotive, the Engine, and/or any components, appliances, accessories, instruments, or equipment) shall be performed by all appropriate personnel authorized or licensed to perform such services.

(d) If any Engine, component, appliance, accessory, instrument, equipment or part of the Locomotive shall reach such a condition as to require overhaul, repair or replacement, for any cause whatsoever, in order to comply with the standards for maintenance and other provisions set forth in this Agreement, Mortgagor may:

- i. Install on the Locomotive such items of substantially the same type in temporary replacement of those then installed on the Locomotive, pending overhaul or repair of the unsatisfactory item; provided, however, that such replacement items must be in such a condition as to be permissible for use upon the Locomotive in accordance with the standards for maintenance and other provisions set forth in this Agreement; provided further, however, that Mortgagor must, at all times, retain unencumbered title to any and all items temporarily removed; or
- ii. Install on the Locomotive such items of substantially the same type in permanent replacement of those then installed on the Locomotive; provided, however, that such replacement items must be in such condition as to be permissible for use upon the Locomotive in accordance with the standards for

maintenance and other provisions set forth in this Agreement; provided further, however, that Mortgagor must first comply with each of the requirements of subsection (e) hereinbelow.

(e) In the event that during the effectiveness of this Agreement Mortgagor shall be required or permitted to install upon the Electric Locomotive or any part thereof, components, appliances, accessories, instruments, engines, equipment or parts in permanent replacement of those then installed on the Locomotive, Mortgagor may do so provided that, in addition to any other requirements provided for in this Agreement:

i. The security interest in and lien created hereby upon any item removed from the Locomotive is not divested and that no such removed item shall be or become subject to the lien or claim of any person, unless and until such item is replaced by an item of the type and condition required by this Agreement, title to which, upon its being installed or attached to the Locomotive, is validly vested in Mortgagor, free and clear of any liens and/or claims, of any kind or nature, of any person other than Lender;

ii. Mortgagor's title to every substituted item shall immediately be and become subject to the security interest and lien created hereby, and each of the provisions of this Agreement, and each such item shall remain so encumbered and so subject unless it is, in turn, replaced by a substitute item in the manner permitted herein; and

iii. If an item is removed from the Locomotive and replaced in accordance with the requirements of this Agreement, and if the substituted item satisfies the requirements of this Agreement including, but not limited to, the terms and conditions of subsections (i) and (ii) hereinabove, then the item which is removed shall thereupon, and only thereupon, be free and clear of the security interest and lien created hereby.

(f) In the event that any Engine, component, appliance, accessory, instrument, equipment or part is installed upon the Electric Locomotive, and is not in substitution for or in replacement of an existing item, such additional item shall be considered as an accession to the Electric Locomotive.

(g) Mortgagor shall not enter into any maintenance interchange or pooling arrangement affecting the security interest created hereby in and to the Locomotive or any engine or part thereof, except with the prior written consent of Lender.

3.3 Insurance. Mortgagor will at all times, at its own cost and expense, maintain, or cause to be maintained, a policy or policies of insurance with respect to the Collateral, in accordance with the following provisions:

(a) With respect to the use and operation of the Locomotive, a policy or policies of insurance covering such risks, providing such degree of protection in such amounts and with such insurers as all are acceptable to Lender;

(b) Mortgagor will name Lender or cause Lender to be named as an additional insured party on all policies of liability insurance and as the loss payee on all policies of casualty insurance. Mortgagor shall obtain or deliver to Lender, from the issuer of each insurance policy, a waiver of warranties with respect to Lender's rights under such policies and will cause all parties who may have an interest in the proceeds of such policies to acknowledge, in writing, that Lender has a prior interest in such proceeds. Each and every such policy shall also contain an agreement by the insurer that, notwithstanding any right of cancellation by the insurer, such policy shall continue in force for the benefit of Lender for at least thirty (30) days after written notice of any cancellation having been given to Lender and that no change in the policy limits or types of coverage in any such policy shall be made except after thirty (30) days prior written notice thereof having been given to Lender.

(c) Concurrently with the execution of this Agreement, Mortgagor shall provide (or cause to be provided) Lender with insurer's certifications with respect to the types, amounts and policy numbers of insurance in effect as of the date of execution and delivery of this Agreement.

(d) In the event that Mortgagor should, for any reason, fail to renew or cause to be renewed any such policy or contract of insurance, Lender shall have the option to pay the premiums on any such policy or contract of insurance, or to take out new insurance in such amounts, types, coverages, and terms as Lender may determine to be prudent, and any sums paid therefore shall constitute Lender Expenses, shall be payable by Mortgagor on demand, and shall be added to and be a part of and included in the Obligations.

(e) Mortgagor shall not use or permit the Collateral to be used in any manner or for any purpose excepted from or contrary to the requirements of any insurance policy or policies required to be carried and maintained hereunder or for any purpose excepted or exempted from or contrary to said insurance policies, and do any other act or permit anything to be done which could reasonably be expected to invalidate or limit any such insurance policy or policies.

3.4 No Leases. Mortgagor hereby covenants and agrees that it shall not Lease any of the Collateral to any person.

3.5 Chief Executive Office.

(a) Mortgagor represents that it is a limited partnership, validly existing and in good standing under the laws of the state of Illinois; Mortgagor has all requisite power and authority to conduct its business, to own its properties and to execute and perform its obligations under this Agreement; and its chief executive office is located at the address indicated in Section 1.18 of this Agreement and agrees that such chief executive office will not be changed without prior written notice to Lender.

(b) The execution, delivery and performance by Mortgagor of this Mortgage have been duly authorized by all necessary corporate actions and such execution, delivery and performance do not and will not require any consent or approval of the partners of Mortgagor; violate any provision of any law, rule, regulation, order, writ, judgment, injunction,

decree, determination or award presently in effect having applicability to Mortgagor or of the charter or bylaws of Mortgagor; result in a breach of or constitute a default under any indenture, loan or credit agreement to which Mortgagor is a party or by which it or its properties may be bound or effected; or result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest, or other charge or encumbrance of any nature (under this Mortgage) upon or with respect to any of the properties now under or hereafter acquire by Mortgagor.

(c) This Mortgage constitutes legal, valid and binding obligations of Mortgagor enforceable against Mortgagor in accordance with its terms subject, as to enforceability, to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.

(d) Except for the filing of this Mortgage with the STB and the filing of financing statements with respect to this Mortgage, and except as may be required in connection with the operation and maintenance of the Locomotive, no authorization, consent, approval or license of or from any court or governmental department, commission, board, bureau, agency or official, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by Mortgagor of this Mortgage.

(e) Mortgagor has, and at all times shall have, good title to the Collateral, free and clear of all mortgages, deeds of trust, liens, security interest and other charges or encumbrances except for those created or permitted by this Mortgage, and has, and at all times shall have, full power and authority to mortgage and grant a lien and security interest in the Collateral.

(f) As of the date of the funding by Lender of the loan evidenced by the Note, the Collateral is not assigned, mortgaged, pledged, encumbered, or otherwise hypothecated to any person or entity other than Lender.

3.6 Further Representations, Warranties, and Covenants. Mortgagor further represents, warrants, and covenants with Lender as follows:

(a) To pay, or cause to be paid, when due all taxes, assessments, charges (including license and registration fees and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon) imposed upon Mortgagor by any federal, state or local government or taxing authority upon or with respect to the Collateral or any portion thereof, or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Agreement, or any of the other agreements relating hereto;

(b) At any reasonable time, on demand by Lender, to cause the Collateral (including the books, manuals, and records comprising the Collateral) to be exhibited to Lender (or persons designated by Lender) for purposes of inspection and copying;

(c) Mortgagor is the registered owner of the Locomotive pursuant to proper registration requirements by the STB.

(d) To permit Lender or any authorized representative of Lender to inspect the Collateral or any part thereof and to examine, copy or make extracts from any and all manuals, books, records and documents relating to the Collateral or the performance of this Agreement, all at such reasonable times and as often as maybe requested by Lender. Lender shall have no duty to make such inspection or examination and shall not incur any liability or obligation by reason of not making any such inspection or examination.

(e) Except upon the prior written consent of Lender, Mortgagor shall not sell or otherwise dispose of or transfer the Collateral, or any right or interest of Mortgagor therein.

(f) Except for that of Lender, suffer or permit any security interest, lien, charge or other encumbrance to attach to or exist relative to the Collateral, whether voluntarily or involuntarily, and whether by issuance of judicial process, levy or otherwise, until all of the Obligations have been completely discharged; provided, however, that this subsection shall not prohibit Mortgagor from incurring any materialmen's, mechanics', workman's, employees' or other like liens, arising in the ordinary course of business, the payment for which is not due and payable, or liens for taxes, assessments or governmental charges or levies, the payment for which is not yet due and payable.

(g) To promptly give Lender notice of any Event of Default or event which, after notice or lapse of time or both, would constitute an event of default, under this Agreement, or under any other agreement entered into by and between Mortgagor and Lender;

(h) Indemnify Lender and hold it harmless from and against all liabilities, claims and/or demands arising from any cause whatsoever, including the doctrine of strict liability, in connection with this Agreement or Lender's rights herein or in the Collateral and/or the use, sale, operation or possession of the Collateral. The indemnities contained herein shall continue in full force and effect notwithstanding the termination of this Agreement with respect to claims arising or liabilities incurred prior to such termination.

4. EVENTS OF DEFAULT AND REMEDIES

4.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

(a) Mortgagor shall fail to make payment of any Obligations due under the Loan Agreement or Note at the time and in the manner therein specified;

(b) Mortgagor shall fail to perform, keep, or observe any of the Obligations required under this Agreement, or any other agreement entered into between Mortgagor and Lender;

(c) Mortgagor defaults in its Obligations to Lender under the Loan Agreement, Note or any other document executed in connection therewith;

(d) If any representation, statement, report, or certificate made or delivered by Mortgagor, or any of its officers, employees or agents, to Lender is not true and correct in any respect;

(e) If there an impairment of the prospect of repayment of all or any portion of the Obligations owing to Lender or a material impairment of the value or priority of Lender's security interests in the Collateral;

(f) If all or any of the Collateral is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any Judicial Officer or Assignee;

(g) If an Insolvency Proceeding is commenced by Mortgagor or FS;

(h) If an Insolvency Proceeding is commenced against Mortgagor or FS;

(i) If Mortgagor is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

(j) If a notice of lien, levy or assessment is filed of record with respect to any or all of the Collateral by the United States Government, any state of the United States or any department, agency or instrumentality thereof;

(k) If a judgment or other claim becomes a lien or encumbrance upon all or any of the Collateral;

(l) If there is a default in any material agreement to which Mortgagor is a party with third parties resulting in a right by such third parties to accelerate the maturity of Mortgagor's indebtedness;

(m) If Mortgagor makes any payment on account of indebtedness which has been subordinated to Mortgagor's Obligations to Lender other than as permitted under the terms of any subordination or inter-creditor agreement to which Lender is a party or:

(n) If any guarantor of Mortgagor's indebtedness to Lender dies (if applicable), terminates its guaranty, or becomes the subject of an Insolvency Proceeding.

4.2 Remedies Upon Default. Upon the occurrence of an Event of Default, Lender and Mortgagee, or any of them, may, at its election, and without notice and without demand, do any one or more of the following, all of which are authorized by Mortgagor:

(a) Declare all of the Obligations immediately due and payable;

(b) To enter the premises where the Collateral is located and to take possession, by its agents or otherwise, of the Collateral wherever found, with or without the aid of process of law, and hold, store and/or use, operate, manage and control the Collateral, and collect and receive all rents, revenues, issues and profits of the Collateral and every part thereof;

(c) Grant extensions and compromise claims with respect to the Collateral, and settle claims with respect to the Collateral for less than face value, all without prior notice to Mortgagor;

(d) Retain the Collateral in full satisfaction of the Obligations secured thereby, or sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and such places as is commercially reasonable. The requirements of reasonable notice shall be met as follows:

i. Lender shall give Mortgagor and each holder of a security interest in the Collateral who has filed with Lender a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made; and

ii. The notice shall be personally delivered or mailed, postage prepaid, to Mortgagor's address appearing in this Agreement (or at such other address as Mortgagor advises Lender of in writing), at least ten (10) calendar days before the date fixed for the sale, or at least ten (10) calendar days before the date on or after which the private sale or other disposition is to be made;

(e) All costs and expenses incurred by Lender in connection with the enforcement and/or exercise of any of its rights or remedies herein shall be immediately payable by Mortgagor, upon demand, and shall constitute Lender Expenses hereunder, whether or not suit is commenced;

(f) Prior to the disposition of the Collateral, Lender may, but shall not be required to assemble, process, repair or recondition, maintain, store, refurbish, have appraised, or otherwise prepare the Collateral for disposition and in connection therewith, use any trademark, trade name, trade style, copyright or patent used by Mortgagor;

(g) With or without taking possession of the Collateral, take legal proceedings for:

i. The specific performance of any covenant or agreement contained herein, or the execution of any right or power herein granted;

ii. Foreclosure hereunder;

iii. The sale, under the judgment or decree of any court of competent jurisdiction, of all or any part of the Collateral;

iv. The appointment of a receiver or receivers of all or any part of the Collateral pending any foreclosure hereunder or the sale of all of the Collateral, by any court of competent jurisdiction or under executory or other legal process;

v. The recovery of the unpaid balance of the Obligations; or

vi. The enforcement of any other appropriate remedy, whether under this Agreement, or otherwise.

(h) Exercise any and all other rights and remedies of a Lender under the Code.

4.3 Waiver. Mortgagor waives any right it may have to a hearing prior to the disposition of any of the Collateral by Lender following the occurrence of an Event of Default, or to the exercise of Lender's right of setoff as herein provided.

4.4 Application of Proceeds. The proceeds of any disposition of any of the Collateral, the net earnings of any lease or other agreement relative to the use of the Collateral, and any amounts received as a result of the exercise of any of the rights, powers and remedies of Lender and Mortgagee, or any of them, herein granted, including the right to collect proceeds of any claims for damages on account of the Collateral and the right to collect proceeds of any insurance received on account of the Collateral, shall be applied as follows:

(a) First, to the payment of all Lender Expenses.

(b) Second, to the payment of all other Obligations.

(c) Third, and subject to the rights of any junior lienholders, any remaining amounts shall be paid, without interest, to Mortgagor.

4.5 Right of Set-off. Mortgagor agrees that Lender may exercise a right of set-off with respect to any amounts owed to Lender in the same manner as if the amounts owed were unsecured.

4.6 Exercise of Remedies. Each right, power and remedy herein granted to Lender is cumulative in addition to every other right, power and remedy herein specifically given or now or hereafter existing under or by virtue of the provisions of any other agreement between Mortgagor and Lender or in equity, at law or by virtue of statute or otherwise. No failure to exercise, and no delay in exercising, any right, power or remedy held by Lender hereunder or otherwise, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy held hereunder or otherwise, preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

4.7 Termination. If all of the Obligations shall be fully paid and performed, then the security interest and lien of Lender in the Collateral shall thereupon terminate. In any such case, Lender and Mortgagee, or any of them, shall, upon the request of Mortgagor, execute and deliver to Mortgagor proper instruments acknowledging the termination of the security interest and liens.

5. MISCELLANEOUS PROVISIONS

5.1 Successors and Assigns. All the covenants, promises, stipulations and agreements contained herein shall bind each party and its successors and assigns, and shall inure to the benefit of the other party and its respective successors and assigns; provided however, that

Mortgagor shall not assign this Agreement without the prior written consent of Lender and Mortgagee.

5.2 Entire Agreement. This Agreement, together with the Exhibits and other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof. All prior agreements, understandings, representations, warranties and negotiations, if any, are merged into this Agreement, and this Agreement is the entire agreement between Mortgagor and Lender relating to the subject matter hereof. This Agreement may be modified or amended only in writing signed by the parties hereto.

5.3 Captions. Captions to the Articles and Sections of this Agreement are for the convenience of the parties, are not a part of this Agreement, and shall not be used for the interpretation of any provision hereof.

5.4 Notices. Any notice given with respect to this Agreement may be personally served or given in writing by depositing such notice in the United States mail, first class postage prepaid, or by telex or telegram, charges prepaid, addressed to the parties at their respective addresses as set forth above, or at such other address as a party may from time to time designate by written notice to the other. If any notice is given by mail it will be effective three (3) calendar days after being deposited in the mail first class, postage pre-paid; if given by telegraph or cable, when delivered to the telegraph company with charges pre-paid; if given by telex or facsimile, when sent; or if given by personal delivery, when delivered.

5.5 Severability. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision hereof.

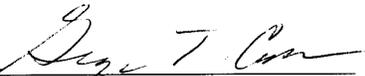
5.6 Jurisdiction. This Agreement shall be governed and controlled as to validity, enforcement, interpretation, construction, effect and in all other respects by the statutes, laws and decisions of the State of Illinois. This Agreement is submitted to Mortgagor at Lender's place of business in Schaumburg, Illinois, and shall be deemed to have been delivered thereat.

5.7 Counterpart. This Agreement may be executed by any number of counterparts, and each such counterpart shall for all purposes be deemed to be an original and all such counterparts shall together constitute one and the same instruments.

5.8 Grant to Mortgagee Only. Nothing herein shall grant or transfer to Mortgagee any interest in the Locomotive or Electric Locomotive in contravention of any laws of the United States of America or any state of the United States of America and the rules and regulations of the STB and Lender shall not hereby accrue rights with respect to the Locomotive other than in accordance with the provisions hereunder, to receive the proceeds from the Locomotive, or sale thereof, in the event of default by Mortgagor.

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

FRONTIER LOGISTICS, L.P.
By: Frontier GP, Inc.
Its: General Partner

By: 
Name: George T. Cook
Its: President

[ALL SIGNATURES MUST BE ACKNOWLEDGED]

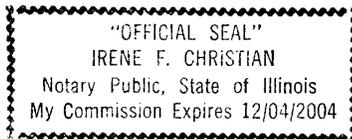
STATE OF IL)

COUNTY OF Will)

ss

On 16th April, 2004 before me, Irene F Christian, a Notary Public in and for said County and State, personally appeared George TCOOP, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



A handwritten signature in cursive script that reads "Irene F. Christian".

Notary Public

EXHIBIT "A"
ENGINE DESCRIPTION

Engine Type: 8-567-C

Serial No. 56-H-33

Horsepower: 800