

RECORDATION NO. 27066 FILED

JUL 10 '07

3-03 PM

SURFACE TRANSPORTATION BOARD

JUL 10 2007
RECEIVED

FIRST UNION RAIL

One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Tel. 847.318.7575
Fax. 847.318.7588

VIA UPS 2nd DAY AIR

July 6, 2007

Mr. Vernon Williams
Surface Transportation Board
395 E Street, S.W., Suite 100
Washington, DC 20024
Attn: Recordation of Railroad Equipment

Re: **Memorandum of Lease Agreement**

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are one (1) original and two (2) copies of a Memorandum of Lease Agreement, dated March 19, 2007, a primary document as defined in the Board's Rules for the Recordation of Documents. Please file this Memorandum of Lease as a primary document since a Master Lease has not been filed with the Surface Transportation Board. The names and addresses of the parties to the enclosed document are:

Lessor: First Union Rail Corporation
One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Lessee: Pinnacle Pellet Inc.
4252 Dog Prairie Road
Quesnel, BC
Canada V2J 6K9

A description of the railroad equipment covered by the enclosed document is forty-four (44) 5150 and 5161 cu. ft. covered hopper cars, with FURX and NDYX marks (see Exhibit A for car numbers).

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

Also enclosed is a check in the amount of \$35.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned along with the additional copies.

If you have any questions regarding the above-referenced matter, please contact me at (847) 384-5397. Thank you for your cooperation in this matter.

Very truly yours,


Marcia Dunne
Rail Documentation Specialist

Enclosures
(PIPI:001)

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ASSGN. NO.: PIPE001

SURFACE TRANSPORTATION BOARD

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 19th day of March, 2007, by and between the Montreal branch of First Union Rail Corporation ("Lessor"), a North Carolina corporation, and Pinnacle Pellet Inc. ("Lessee"), a Québec corporation. British Columbia

WITNESSETH:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), dated as of March 19, 2007 whereby Lessor has agreed to lease to Lessee certain railcars pursuant to Rider No. 1 to the Lease (the "Rider"), as described in more particular on Exhibit A attached hereto, effective as of March 19, 2007 and subject to the terms, conditions and provisions of the above-mentioned Lease and Rider.

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:

FIRST UNION RAIL CORPORATION

NAME: Susan A. Barrie

TITLE: Regional Vice President, Sales

SIGNATURE: Susan A. Barrie

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

I, Gordon Hopkins, a Commissioner of Oaths of the Province and District aforesaid, certify that Susan A. Barrie personally appeared before me this day and acknowledged her execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 19th day of February, 2007.

Gordon Hopkins
Commissioner of Oaths

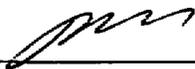
My Commission expires:

21/07/2009



LESSEE:

PINNACLE PELLET INC.

By: 

Name: Rob Swaan

Title: President

Executed on this _____ day of _____, 2007.

PROVINCE OF _____

DISTRICT OF _____

I, _____, a Commissioner of Oaths of the Province and District aforesaid, certify that _____ personally appeared before me this day and acknowledged his/her execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this ___ day of _____, 2007.

Commissioner of Oaths

My Commission expires:

EXHIBIT A
to
MEMORANDUM OF LEASE

NUMBER OF CARS: Forty Four (44).

DESCRIPTION OF CARS: 5150 and 5161 cubic foot capacity, 286,000 GRL, covered hopper cars with a load limit of approximately 110+ tons, 3 pockets with gravity gates, trough hatch.

CAR NUMBERS:

FURX	840053	FURX	845495
FURX	840197	FURX	845496
FURX	840688	FURX	845502
FURX	843556	FURX	845509
FURX	843616	FURX	845512
FURX	843652	FURX	845514
FURX	843688	FURX	845517
FURX	845305	FURX	845522
FURX	845410	FURX	845523
FURX	845412	FURX	845529
FURX	845416	FURX	845534
FURX	845421	FURX	845535
FURX	845422	FURX	845556
FURX	845423	FURX	845566
FURX	845428	FURX	845576
FURX	845432	FURX	845580
FURX	845437	NDYX	515492
FURX	845439	NDYX	515508
FURX	845440	NDYX	515741
FURX	845449	NDYX	515781
FURX	845479	NDYX	515789
FURX	845492	NDYX	516458