



2200 IDS Center
80 South 8th Street
Minneapolis MN 55402-2157
tel 612.977.8400
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RECORDATION NO. 28745 FILED

JAN 27 '10

4-01 PM

SURFACE TRANSPORTATION BOARD

January 27, 2010

John R. Brennan
612.977.8195
jbrennan@briggs.com

VIA ELECTRONIC FILING AT WWW.STB.DOT.GOV

Secretary, Surface Transportation Board
Washington, D.C.

Re: Recordation

Dear Secretary:

I have attached a true and correct copy of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is a Master Lease Agreement (the "Lease"), a primary document, dated January 13, 2010.

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

Lessor:

Brandt Road Rail Inc.
c/o Brandt Road Rail Corporation
Box 1876
302 Mill Street
Regina, Saskatchewan
Canada S4P 3E2

Lessee:

Frontier Rail Corporation
499 Railex Road
Burbank, WA 99323

A description of the equipment covered by the Lease is as follows:

Certain equipment including one (1) 2009 Peterbilt Brandt Power Unit (serial number 1NPTXBEX09D779246) with one (1) Brandt 3028 crane, grapple and magnet.

A fee of \$41.00 will be sent under separate cover.

A short summary of the Lease to appear in the index is as follows:

Lease Agreement, a primary document, dated January 13, 2010 by and between Brandt Road Rail Inc., Box 1876, 302 Mill Street, Regina, Saskatchewan, S4P 3E2, as Lessor, and Frontier Rail Corporation, 499 Railex Road, Burbank, WA 99323, as Lessee, and covering certain equipment including one (1) 2009 Peterbilt Brandt Power Unit (serial number 1NPTXBEX09D779246) with one (1) Brandt 3028 crane, grapple and magnet.

B R I G G S A N D M O R G A N

**Secretary, Surface Transportation Board
January 27, 2010
Page 2**

Please contact me with any questions and provide email confirmation to JBrennan@Briggs.com to confirm formal acceptance of this recordation.

Very truly yours,

A handwritten signature in cursive script that reads "John R. Brennan".

John R. Brennan

**Briggs and Morgan, P.A.,
attorneys for Brandt Road Rail Inc.**

Attached: Lease



2200 IDS Center
80 South 8th Street
Minneapolis MN 55402-2157
te. 612.977.8400
fax 612.977.8650

FEB 2 2010

RECEIVED

January 27, 2010

John R. Brennan
612.977.8195
jrbrennan@briggs.com

VIA CERTIFIED MAIL

Surface Transportation Board
395 E Street SW
Washington, DC 20423

Re: Recordation Fee

Dear Secretary:

Enclosed please find a check in the amount of \$41.00 as payment of the filing fee for that certain Recordation filed on the date hereof, a copy of which is enclosed.

Please contact me with any questions.

Very truly yours,


John R. Brennan

Enclosure

JAN 27 '10

4-01 PM

SURFACE TRANSPORTATION BOARD

**MASTER LEASE AGREEMENT 2010-01**

LESSOR: BRANDT ROAD RAIL INC., a corporation incorporated under the laws of Delaware.
ADDRESS: c/o Brandt Road Rail Corporation, Box 1876, 302 Mill Street, Regina, Saskatchewan, Canada S4P 3E2

LESSEE: Frontier Rail Corporation, a corporation incorporated under the laws of Washington
ADDRESS: 499 Raillex Road, Burbank, Washington, USA 99323

REFERENCE DATE: January 13, 2010

1. **LEASE.** Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor, subject to the terms hereof, the personal property (together with all attachments, replacement parts, substitutions, additions, repairs, accessions and accessories incorporated therein and/or affixed thereto) (collectively the "Equipment") described in any lease schedule (a "schedule") executed by the parties hereto and incorporating the terms of this lease by reference. Each Schedule shall be deemed an independently assignable and separate lease agreement incorporating the terms and conditions stated herein. Each Schedule, along with a certified copy of this Master Lease Agreement ("Lease"), shall constitute chattel paper for purposes of the Uniform Commercial Code (the "Code"). The Equipment is and shall at all times be and remain the sole and exclusive personal property of Lessor and, notwithstanding, any trade-in or down-payment by Lessee (or on its behalf) with respect to the Equipment, Lessee shall have no right, title or interest therein or thereto except as to the use thereof subject to the terms and conditions of this Lease and the applicable Schedule.

Lessee acknowledges that it has reviewed and approved any written Supply Contract covering the Equipment, Lessee also acknowledges that Lessor has informed or advised Lessee in writing, either previously or by this Lease, of the following: (i) the identity of the Supplier, (ii) that the Lessee is entitled to the promises and warranties, if any, of Supplier or of any third party provided by Supplier to Lessor in connection with the Supply Contract or as part of the Supply Contract and (iii) that Lessee may contact the Supplier for an accurate and complete description of any such promises and warranties, including any disclaimers and limitations of them or of remedies. The terms "Supply Contract" and "Supplier" shall, as used herein, have the meanings ascribed to them under Article 2A of the Uniform Commercial Code.

2. **TERM AND RENT.** The term of this Lease for each item of Equipment shall begin on the Commencement Date and shall terminate on the Lease Expiration Date set forth in the Schedule. The Commencement Date shall be the date of delivery and acceptance of the Equipment as evidenced by the Lessee's execution of the Delivery and Acceptance Certificate or such other date as indicated on the Schedule. Lessee authorizes Lessor to insert, at any time before or after the delivery of the Equipment, information on any Schedule relating to serial numbers and/or other identification of the Equipment, and the Commencement Date. If the Equipment is not delivered to Lessee prior to Twenty (20) days after the Estimated Date of delivery shown on the applicable Schedule, either party shall have the right, at its sole and exclusive option, to cancel and terminate this Lease with respect thereto and its obligations hereunder shall cease immediately upon giving written notice to the other party.

Rent shall be paid: (a) in advance of the month the payment relates to, and in the amounts shown for each item of Equipment on the Schedule (b) at Lessor's place of business shown above or at such other place as Lessor may designate in writing, and (c) without notice or demand. If any rent or other sums due hereunder are not paid within 30 days of the due date thereof, Lessee shall pay to Lessor on demand, interest at the rate of 15% per annum, or the maximum rate permitted by applicable law, whichever is less, on any payment not paid within 30 days of due date for any period during which such payment is overdue.

3. **WARRANTIES.** Lessee acknowledges that: Lessor is not the manufacturer of the Equipment nor the manufacturer's agent nor a dealer therein; Lessor is owner of the Equipment; the Equipment is of a size, design, capacity, description and manufacture selected by the Lessee; Lessee is satisfied that the Equipment is suitable and fit for its purpose; the only warranties which are provided in respect of the Equipment are as set forth in the Supply Agreement or any written warranties published by the Supplier applicable to the Equipment; **LESSOR HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY OR REPRESENTATION WHATSOEVER, EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS, CONDITION, MERCHANTABILITY, DESIGN OR OPERATION OF THE EQUIPMENT, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE MATERIALS IN THE EQUIPMENT OR WORKMANSHIP IN THE EQUIPMENT, LESSOR'S TITLE TO THE EQUIPMENT (EXCEPT AS TO DEFECTS IN TITLE PROXIMATELY ARISING DUE TO THE ACT OR OMISSION OF LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER.** Lessor shall not be liable to Lessee for any loss, damage, or expense of any kind or nature caused, directly or indirectly, by any Equipment leased hereunder or the use or maintenance thereof or the failure or operation thereof, or the repair, service or adjustment thereof, or by any delay or failure to provide any such maintenance, repair, service or adjustment, or by any interruption of service or loss of use thereof or for any loss of business howsoever caused. Lessor shall not be liable for any indirect or consequential damages. Lessor shall have no obligation under this Lease in respect of the Equipment and shall have no obligations to install, erect, test, adjust or service the Equipment.

4. **LOSS OR DAMAGE TO EQUIPMENT.** During the period between the date the Equipment is delivered to Lessee to the date the Equipment is returned to Lessor, Lessee hereby assumes and shall bear the entire risk of loss for theft, damage, destruction or other injury to the Equipment from any and every cause whatsoever. **NO SUCH LOSS OR DAMAGE SHALL IMPAIR ANY OBLIGATION OF LESSEE UNDER THIS LEASE WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.** In the event of damage or loss to the Equipment (or any part thereof) and irrespective of payment from any insurance coverage maintained by Lessee, Lessee shall immediately notify Lessor in writing of same and, at the option of Lessor, (a) place the Equipment in good repair, condition and working order, or (b) replace the Equipment (or any part thereof) with the equipment of equal or greater value in good repair, condition and working order and transfer clear title to such replacement equipment to Lessor whereupon such replacement equipment shall be deemed the Equipment for all purposes, or (c) pay to Lessor on demand as liquidated damages and not as a penalty the aggregate of the following amounts, together with interest thereon at the rate of 15% per annum ("Overdue Rate") from the date of determination to the date of payment (collective "Casualty Value"): (i) the total rent due and owing at the time of such determination, (ii) any other amount (the "Additional Charge") which shall otherwise be or become due and owing irrespective of the fact that the Equipment has been damaged, destroyed, lost or stolen including, without limitation, any additional taxes or other charges that may otherwise arise in connection with the Equipment, and (iii) either (A) if this Lease does not provide for a Stipulated Loss Value of the Equipment, an amount equal to the sum of the present value of (x) all future rentals reserved in the Lease and contracted to be paid over the un-expired term of the Lease discounted at the Federal Reserve Discount Rate for the Federal Reserve Bank of New York then in effect (the "Discount Rate") and (y) of the purchase option price stated in the Schedule for the purchase of the Equipment at the end of the term discounted at a rate equal to the Discount Rate or (B) if this Lease provides for a Stipulated Loss Value, the Stipulated Loss Value as of such date of determination. Upon Lessor's receipt of such payment, Lessee and/or Lessee's insurer shall be entitled to receive Lessor's interest in the Equipment or any part thereof, for salvage purpose, in its then condition and location, "as-is, where is" without warranty, express or implied and the obligation to pay rent for such Equipment shall terminate.

5. **AFFIRMATIVE COVENANTS OF LESSEE.** Lessee shall:

(a) (i) require each item of Equipment to be used only within the continental United States by a qualified personnel solely for the purpose for which it was designed and, at its sole expense, service, repair, overhaul and maintain each item in the same condition as when received, ordinary wear and tear excepted, in good operating order, consistent with prudent industry practice (but, in no event less than the same extent to which Lessee maintains, in the prudent management of its equipment, other similar properties of Lessee) and in compliance with all applicable laws, ordinances, regulations, and all

manuals, orders, recommendations, instructions and other written requirements as to the repair and maintenance of such item issued at any time by the vendor, and/or manufacturer thereof; (ii) furnish to the Lessor such information concerning the condition, location, use and operation of the Equipment as Lessor may reasonably request; (iii) if any item of Equipment does not comply with the requirements of this Lease, within 30 days written notice from Lessor, bring such Equipment into compliance; and (iv) not use any Equipment, nor allow the same to be used, for any unlawful purpose, nor in connection with any property or material that would subject the Lessor to any liability under any state or federal statute or regulation pertaining to the production, transport, storage, disposal or discharge of hazardous or toxic waste or materials.

(b) Lessee will, during the term of this Agreement, at its own expense, carry and maintain (i) property insurance in respect of the Equipment in an amount not less than 100% of the Initial Purchase Price of the Equipment as shown on the schedule to this agreement, naming Lessor as "Loss Payee" on the policy, and (ii) public liability insurance with respect to third party personal injury and property damage, against such risks and in an amount not less than \$5,000,000 USD, and naming Lessor as an "Additional Insured" on the policy.

(c) Timely file all reports and returns required to be filed with respect to, and promptly pay when due, all registration, title and license fees, assessments and sales, use, gross receipts, property and any and all taxes or charges of whatsoever nature and by whomsoever payable (except taxes levied on Lessor's net income), now or hereafter imposed by a State, Federal, local or foreign government upon any use, ownership, rental, shipment, transportation, delivery or operations of the Equipment, or upon or measured by any payments due hereunder, or in connection with the filing or recording or execution and delivery of this Lease or any document related hereto. In the event such registration, title and license fees, assessments, taxes and penalties or interest thereon, shall be paid by Lessor or if Lessor be so assessed or be required to collect or pay any of same, Lessee shall reimburse Lessor therefore promptly upon demand, the same being payable as additional rent hereunder. Lessee further agrees to pay all shipping, delivery and installation charges and other expenses incurred in connection with the Equipment and to keep the Equipment free from all liens, including but not limited to any lien for storage, labour, service, materials or the like, and to procure and maintain in effect all licenses, certificates, permits and other approvals and consents required by municipal, state, federal or foreign laws and regulations in connection with the possession, use and operation of the Equipment.

(d) Obtain and deliver to Lessor waivers of interest or liens in recordable form, satisfactory to Lessor, from all persons claiming an interest in the real property on which such item of the Equipment is or is to be installed or located.

(e) Mark and identify the Equipment with all information and in such manner as Lessor may reasonably request from time to time and replace promptly any such marking or identification which are removed, defaced or destroyed.

(f) At any and all times during business hours, grant Lessor access to enter upon the premises wherein the Equipment shall be located or used and permit Lessor to inspect the Equipment and the records relating thereto, including, without limitation, all maintenance logs, and repair receipts. Unless Lessee shall have notified Lessor of its intent to exercise the Purchase Option in accordance with the Additional Terms set forth in the Lease Schedule, Lessee shall grant Lessor free access to enter upon Lessee's premises during the final six months of the terms hereof or during any period of storage as provided for herein, to demonstrate and show the Equipment to others, provided, however, that Lessee shall not be liable to Lessor or its invitees for any injury or damages to Lessor or its invitees while such persons are on Lessee's premises, and Lessor agree to indemnify and hold Lessee harmless therefrom.

(g) Reimburse Lessor for all charges, costs and expenses (including attorney's fees, costs and disbursements) incurred by Lessor in defending or protecting its interest in the Equipment due to any acts or omissions by Lessee, in the enforcement of the provisions of this Lease or the collection of any instalment of rent or other amounts due under this Lease.

(h) Indemnify and hold harmless (and, hereby, does indemnify and hold harmless) Lessor from and against and agrees to promptly notify Lessor of, any and all claims, losses, liabilities (including negligence, tort and strict liability) damages, judgements, suits, legal proceedings and any and all costs and expenses in connection therewith (including attorney's fees) arising out of or in any manner connected with or allegedly caused by the manufacture, purchase, financing, ownership, delivery, rejection, non-delivery, possession, use, transportation, storage, operation, maintenance, repair, return or other disposition of the Equipment or with this Lease.

(i) Protect and defend, at its own costs and expense, the title of Lessor in and to the Equipment from and against all claims, liens encumbrances and legal processes of creditors arising out of Lessee's use and possession of the Equipment. Lessee acknowledges and agrees that during the term of this Lease it has not, and by execution hereof or payment or performance hereunder it does not have or obtain, any title to the Equipment nor any property, right or interest, legal or equitable, therein, except solely as Lessee hereunder, subject to the terms hereof.

The covenants contained in subsections (c) and (g) above shall survive the termination of this Lease. The covenants contained in subsections (a), (b), (d), (e), (f), (h) and (i) above shall survive the termination of the Lease and shall continue to be effective until such time as Lessee has redelivered the Equipment to Lessor if such return is required by the terms of this Lease.

6. NEGATIVE COVENANTS OF LESSEE. Lessee shall not

(a) Alter, modify or make additions or improvements to Equipment without Lessor's prior written consent. Unless otherwise agreed in writing, any such modifications, additions or improvements shall forthwith upon the making thereof: (i) become the property of Lessor without any further repayment by Lessor, (ii) be free and clear of all liens and encumbrances, and (iii) become subject to the terms of this Lease.

(b) Permit the name of any person, association or corporation other than the Lessor to be placed on the Equipment indicating a claim of ownership or security interest;

(c) Part with possession or control of or allow to pass out of its possession or control items of Equipment or change the location of the Equipment or any part thereof to a location outside of the continental United States without the prior written consent of Lessor.

(c) Change its name or address from that set forth above unless it shall have given Lessor no less than 30 days' prior to written notice; or

(d) **MORTGAGE, PLEDGE, ASSIGN, SUFFER TO EXIST ANY LIEN OR ENCUMBRANCE UPON OR IN ANY WAY DISPOSE OF ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS UNDER THIS LEASE (OR OTHERWISE DO ANY OF THE FOREGOING) WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR.** Except for any lien or encumbrances arising by or through Lessor, Lessee represents and warrants to Lessor that the Equipment is free and clear of all liens and encumbrances.

7. LESSEE REPRESENTATIONS. If Lessee is a corporation or a partnership, Lessee represents and warrants that:

(a) It is duly organized, validly existing and in good standing under the laws of the jurisdictions of its incorporation/organization, duly qualified to do business in each jurisdiction where any Equipment is, or is to be, located, has filed and published any and all documents and/or notices required by applicable law and has full power and authority to hold property under lease and to enter into, and perform its obligations under, this Lease. The execution, delivery and performance by Lessee has been duly authorized by all necessary corporate/partnership action on the part of Lessee, is not inconsistent with its Certificate of Incorporation, Charter, By-Laws, Articles of Incorporation, , does not violate any law

or governmental rule, regulation or order applicable to Lessee, does not and will not contravene any provision of, nor constitute a default under, any indenture, mortgage, contract or other instrument to which it is bound, and, upon execution and delivery hereof, will constitute a legal, valid and binding agreement to Lessee, enforceable in accordance with its terms; and (b) no action in respect of or by any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by Lessee of this Lease.

8. RETURN OF EQUIPMENT. Upon the expiration or earlier termination of the Lease, and provided that the Equipment has not been sold pursuant to the Purchase Option set forth in the Schedule, the Lessee shall (a) return the Equipment to a location designated in the Lease Schedule executed by Lessee; (b) return the Equipment in good condition and repair, ordinary wear and tear excepted, free of any liens (other than any lien claims by or through Lessor). All costs incurred in connection with any of the foregoing shall be the sole responsibility of the Lessee. During any period of time from the expiration or earlier termination of the Lease until the Equipment is returned in accordance with the provisions hereof or until Lessee has paid the applicable purchase option price if any applicable purchase option is exercised (the "Extended Term"), Lessee agrees to pay to Lessor monthly rent on the same day of each month of the Extended Term as during the initial term in an amount equal to 100% of the highest monthly rental payable during the initial term.

9. EVENTS OF DEFAULT. The occurrence of any one of the following shall constitute an Event of Default hereunder: (a) the breach by Lessee of its obligations to pay rent when due and the failure to cure said breach within ten (10) days after receipt of notice from Lessor that such amount is overdue, (b) the material breach by Lessee of any of the other terms of this Lease; provided, such breach has not been cured within 30 days after notice of such breach by Lessor to Lessee, (c) if Lessee becomes insolvent or ceases to do business as a going concern, (d) if Lessee makes an assignment for the benefit of creditors, (e) if a petition in bankruptcy or for arrangement or reorganization is filed by or against Lessee or any Guarantor (f) if property of Lessee or any Guarantor is attached or a receiver is appointed for Lessee or any Guarantor, or any of Lessee's or Guarantor's property, (g) if there occurs any sale or disposition of: (i) a controlling interest in Lessee or any Guarantor if Lessee or such Guarantor is a corporation, partnership or similar entity or (ii) all or substantially all of the assets of Lessee or any Guarantor or (iii) the material breach of any representations or warranty in any bill of sale from Lessee to Lessor with respect to the Equipment.

10. REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter, Lessor may:

(a) Upon notice to Lessee, terminate this Lease with respect to any or all Schedules executed pursuant hereto;

(b) Whether or not this Lease is so terminated, take possession of any or all of the Equipment listed on such Schedules, wherever situated, and for such purpose, enter upon any premises without liability for so doing, or Lessor may cause Lessee and Lessee agrees, to return said Equipment to Lessor as provided in this Lease;

(c) If Lessor decides not to take possession of the Equipment, Lessor continues to be its owner and may, but is not obligated to, dispose of the Equipment by sale or otherwise;

(d) Declare immediately due and payable all rent and other charges that have accrued, plus the Stipulated Loss Value as of the rental payment date immediately preceding the occurrence of an Event of Default or, if this Lease does not provide for a Stipulated Loss Value, the present value of all future rentals determined in accordance with subsection 10(f)(II);

(e) If this lease provides for a Stipulated Loss Value of the Equipment, with or without terminating this Lease, recover damages from Lessee not as a penalty, but herein liquidated for all purposes, an amount equal to the sum of: (i) any accrued and unpaid rent as of the date of such Event of Default ("Default Date"), (ii) the Stipulated Loss Value of the Equipment as of the rental payment due

date immediately preceding the Default Date, (iii) any other amount which shall otherwise be or become due and owing hereunder, including any indemnity, if then determinable, (iv) all costs and expenses incurred by Lessor in the repossession, recovery, storage, repair, sale, re-lease or other disposition of the Equipment, including attorneys' fees and costs incurred in connection therewith or otherwise resulting from such Event of Default and (v) interest on the foregoing amounts from the Default Date to the date of payment at the rate of 15% per annum.

(f) If this Lease does not provide for a Stipulated Loss Value of the Equipment, with or without terminating this Lease, recover damages from Lessee not as a penalty, but herein liquidated for all purposes, an amount equal to the sum of (i) any accrued and unpaid rent as of the Default Date, (ii) the present value of all future rentals from and after the Default Date reserved in the Lease and contracted to be paid over the unexpired term of the Lease discounted at the Discount Rate, (iii) the present value of the purchase option price of the Equipment discounted at the Discount Rate, (iv) any other amount which shall otherwise be or become due and owing hereunder, including any indemnity, if then determinable, and (v) all costs and expenses incurred by the Lessor in any repossession, recovery, storage, repair, sale, re-lease or other disposition of the Equipment, including attorney's fees and costs incurred in connection herewith or otherwise resulting from the Event of Default, and (vi) interest on the foregoing amounts from the Default Date to the date of payment at 15% per annum.

(g) In its sole discretion, re-lease, use, hold or sell at a public or private sale any or all of the Equipment and recover from Lessee damages, not as a penalty, but herein liquidated for all purposes, an amount to be determined in accordance with subsection 10(e) or 10(f), LESS the amount received by Lessor upon such public or private sale or re-lease of such items of Equipment, if any, and/or

(h) Exercise any other right or remedy, which may be available to it under the Uniform Commercial Code or any other applicable law.

A termination hereunder shall occur only upon notice by Lessor and only as to such items of Equipment as Lessor specifically elects to terminate and this lease shall continue in full force and effect as to the remaining items of Equipment, if any.

If this Lease is deemed at any time to be one intended as a secured transaction, Lessee agrees that the Equipment shall secure all indebtedness at any time owing by Lessee to Lessor under this Agreement. No remedy referred to in this Section 10 is intended to be exclusive, but shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. The remedies set forth in subsections 10(b)-(h) shall be exercisable with or without terminating this Lease.

11. USE OF EQUIPMENT. So long as no Event of Default shall have occurred, Lessee shall be entitled to possession and use of the Equipment for the term of this Lease in its lawful business in accordance with the terms and provisions of this Lease. The Equipment is, and shall at all times remain, personal property notwithstanding that the Equipment or any part thereof may now be, or may hereafter become, in any manner affixed to, imbedded in or permanently resting upon real property or any building situated thereon.

12. LESSEE'S WAIVERS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, LESSEE HEREBY WAIVES ANY AND ALL RIGHTS TO: (I) CANCEL OR TERMINATE THIS LEASE, (II) REPUDIATE THIS LEASE, (III) REJECT THE EQUIPMENT EXCEPT AS PERMITTED HEREIN, (IV) REVOKE ACCEPTANCE OF THE EQUIPMENT, (V) RECOVER DAMAGES FROM LESSOR FOR ANY BREACH OF WARRANTY, (VI) A SECURITY INTEREST IN THE EQUIPMENT IN LESSEE'S POSSESSION OR CONTROL FOR ANY REASON, (VII) DEDUCT ALL OR ANY PART OF ANY CLAIMED DAMAGES RESULTING FROM LESSOR'S ALLEGED DEFAULT UNDER THIS LEASE, (VIII) ACCEPT PARTIAL DELIVERY OF THE EQUIPMENT, (IX) "COVER" BY MAKING ANY PURCHASE OR LEASE OF OR CONTRACT TO PURCHASE OR LEASE EQUIPMENT IN SUBSTITUTION FOR THE EQUIPMENT DUE FROM OR THROUGH LESSOR (X) RECOVER ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER. TO THE EXTENT PERMITTED BY APPLICABLE LAW,

LESSEE ALSO HEREBY WAIVES ANY RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR LAW WHICH MAY REQUIRE LESSOR TO SELL, LEASE OR OTHERWISE USE ANY EQUIPMENT IN MITIGATION OF LESSOR'S DAMAGES OR WHICH MAY OTHERWISE LIMIT OR MODIFY ANY OF LESSOR'S RIGHTS OR REMEDIES UNDER SECTION 10. ANY ACTION BY LESSEE AGAINST LESSOR FOR ANY DEFAULT BY LESSOR UNDER THIS LEASE SHALL BE COMMENCED WITHIN ONE (1) YEAR AFTER SUCH ALLEGED CAUSE OF ACTION ACCRUES.

13. **LESSOR'S RIGHT TO PERFORM FOR LESSEE.** If Lessee fails to perform or comply with any of its agreements contained herein, Lessor may, but shall not be obligated to, perform or comply on Lessee's behalf and the amount of any expenses of Lessor incurred in connection with such performance or compliance (including attorney's fees, costs and disbursements), shall be payable by Lessee upon demand, together with interest thereon at the rate of 15% per annum from the date of demand.

14. **FURTHER ASSURANCES.** Lessee will cooperate with any reasonable request by Lessor for the purpose of protecting the interests of Lessor in the Equipment, this Lease and the sums due under this Lease by, including, without limitation, the execution of all financing statements requested by Lessor. Lessor is authorized, if permitted by applicable law, to: (i) file one or more financing statements disclosing any security interest in the Equipment, this Lease and the sums due under this Lease, and/or (ii) to execute and file such motor vehicle title documentation necessary to obtain titles in Lessor's name, repossession title certificates, and/or notation of one or more liens. Without limiting the forgoing, Lessee will do whatever may be reasonably necessary to have a statement of the interest of Lessor in the Equipment noted on any certificate of title relating to the Equipment and will deliver said certificate to Lessor. Lessee shall execute and deliver to Lessor upon request, at Lessee's expense, such other instruments and assurances, as Lessor deems reasonably necessary or advisable to protect and perfect Lessor's rights in the Equipment and under the Lease.

15. **NOTICE.** Any notices or demands required to be given hereunder shall be given to the parties in writing and by certified or registered mail, return receipt requested, by reliable overnight courier, or by personal delivery to the addresses herein set forth, or to such other addressees as the parties may hereafter substitute in the same manner. Any such notice shall be effective (a) if mailed, three days from mailing, (b), if sent by overnight courier, one day after delivery to such reliable overnight courier service, and (c) if personally delivered, on delivery to such address.

16. **NON-CANCELLABLE LEASE; OBLIGATIONS UNCONDITIONAL.** THIS LEASE MAY NOT BE CANCELLED OR TERMINATED EXCEPT AS EXPRESSLY PROVIDED HEREIN. SUBJECT TO LESSEE'S QUIET USE AND ENJOYMENT OF THE EQUIPMENT, LESSEE HEREBY AGREES THAT LESSEE'S OBLIGATIONS TO PAY ALL RENT AND ANY OTHER AMOUNTS OWING HEREUNDER SHALL BE ABSOLUTE AND UNCONDITIONAL AND LESSEE SHALL NOT BE ENTITLED TO ANY ABATEMENT OF RENT OR SETOFF AGAINST RENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN. THIS LEASE SHALL NOT TERMINATE NOR SHALL THE RESPECTIVE OBLIGATIONS OF LESSOR AND LESSEE BE OTHERWISE AFFECTED BY REASON OF ANY DEFECT IN, LACK OF FITNESS OF, DAMAGE TO, LOSS OF POSSESSION OR USE OF OR DESTRUCTION OF ALL OR ANY OF THE EQUIPMENT.

17. **ASSIGNMENT BY LESSOR.** LESSOR MAY ASSIGN OR TRANSFER THIS LEASE OR ANY SCHEDULE OR LESSOR'S INTEREST IN THE EQUIPMENT WITHOUT NOTICE TO LESSEE. Any assignee hereof shall have all of the rights, but none of the obligations, of Lessor under this Lease. Lessee agrees that it will not assert against any assignee of Lessor any defense, counterclaim or offset that Lessee may claim to have against Lessor and that upon notice from Lessor of such assignment or transfer, it will pay all rent and other sums thereafter coming due under this Lease to such assignee or transferee. Lessee acknowledges that any assignment or transfer by Lessor shall not materially change Lessee's duties or obligations under this Lease nor materially increase the burdens or risks imposed on Lessee.

18. **WAIVER.** Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not waive or diminish Lessor's right thereafter to demand strict compliance herewith. Waiver of any default shall not constitute a waiver of any other default.

19. **MISCELLANEOUS.** If any part of this lease shall be adjudged invalid, then such partial invalidity shall not cause the remainder of this Lease to be or to become invalid and if a provision hereof is held invalid in one or more of its applications, said provision shall remain in effect in valid applications that are severable from the invalid application or applications. If any provision of this Lease, any Schedule or any other instrument between Lessor and Lessee shall be determined by judicial or governmental authority to permit the collection of or to require payment of any amount of interest in excess of the maximum amount permitted by applicable laws then, notwithstanding any provision hereof to the contrary, all charges or payments made in connection therewith shall be held subject to reduction or rebate, as the case may be, to the maximum amount permitted under said applicable laws.

Time is of the essence with respect to this Lease. The captions of this Lease are for convenience only and shall not define or limit any of the terms hereof.

20. **GOVERNING LAW JURISDICTION, JURY TRIAL.** This Lease shall be construed and enforced in accordance with, and governed by, the laws of the State of New York, without regard of principles of conflicts of laws. **LESSEE AGREES THAT LESSOR MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS LEASE OR RELATED DOCUMENTS IN ANY SUPREME COURT OF THE STATE OF NEW YORK OR ANY DISTRICT COURT OF THE UNITED STATES LOCATED WITHIN THE STATE OF NEW YORK, AND AGREES THAT SERVICE OF PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, SHALL BE SUFFICIENT TO CONFER PERSONAL JURISDICTION. LESSEE AND LESSOR WAIVE THEIR RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF THIS LEASE OR RELATED DOCUMENTS.**

21. **ENTIRE AGREEMENT.** THIS LEASE, INCLUDING THE SCHEDULES AND THE RIDERS ATTACHED HERETO, CONSTITUTES THE ENTIRE AND FINAL AGREEMENT BETWEEN LESSOR AND LESSEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OR PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL DISCUSSIONS, NEGOTIATIONS OR AGREEMENTS OF THE PARTIES. THERE IS NO UNDERSTANDING OR AGREEMENT, ORAL OR WRITTEN, WHICH IS NOT SET FORTH HEREIN. THIS MAY NOT BE AMENDED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY LESSOR AND LESSEE. THIS LEASE AND ANY SUCH WRITING SHALL BE BINDING UPON AND SHALL INURE TO THE BENEFIT OF THE PARTIES HERETO AND THEIR PERMITTED SUCCESSORS AND ASSIGNS.

BRANDT ROAD RAIL INC.
By: Neil Marcotte
Neil Marcotte, Sales Manager

FRONTIER RAIL CORPORATION
By: P. Dideltus, PRES.
Paul Dideltus, President

Date: Jan. 22/10

Date: 1-18-2010



RIDER

TAX INDEMNITY

REFERENCE DATE: January 13, 2010

To and part of Master Lease Agreement 2010-01 dated as of the 13th of January, 2010 (the "Lease"), between BRANDT ROAD RAIL INC., its successors and assigns ("Lessor"), and Frontier Rail Corporation, its successors and permitted assigns ("Lessee").

(1) Lessee represents and warrants that: (a) it believes that it is reasonable to estimate that the useful life of the Equipment exceeds the lease term (including any interim and fixed rental renewal periods) by the greater of one (1) year or twenty (20) percent of such estimated useful life, and that said Equipment will have a value at the end of the lease term, including any fixed rate renewal period, of at least twenty (20) percent of the Total Equipment Cost, without including in such value any increase or decrease for inflation or deflation during the original lease term; and (b) the Equipment is, and will be used by Lessee so as to remain, property eligible for the MACRS Deductions (as defined below).

(2) (a) If by reason of (i) any act or failure to act of Lessee (including a breach of any covenant of Lessee set forth in Sections 5 or 6 of the Lease), or (ii) the misrepresentation of or breach by Lessee of any of the warranties and representations set forth in Section 7 of the Lease or Section (1) of this Rider, Lessor in computing its taxable income or liability for tax, shall lose, or shall not have, or shall lose the right to claim or there shall be disallowed or recaptured for Federal and/or state income tax purposes, in whole or in part, the benefit of MACRS Deductions; or (b) Lessor shall become liable for additional tax as a result of Lessee having added an attachment or made an alteration to the Equipment, including (without limitation) any such attachment or alteration which would increase the productivity or capability of the Equipment so as to violate the provisions of Rev. Proc. 75-21, 1975-1 C.B. 715, or Rev. Proc. 79-48, 1979-2 C.B. 529 (as either or both may hereafter be modified or superseded); hereinafter referred to as a "Loss"; then Lessee shall pay Lessor the Tax Indemnification Payment as additional rent and Lessor shall revise the Schedule(s) of Stipulated Loss Values to reflect the Loss. As used herein, "MACRS Deductions" shall mean the deductions under Section 167 of the Internal Revenue Code of 1986, as now or hereafter amended (the "Code"), determined in accordance with the modified Accelerated Cost Recovery System with respect to the Total Equipment Cost of any item of the Equipment using the accelerated method set forth in Section 168(b)(1) or 168(b)(2) of the Code as in effect on the date of this Lease for property assigned to the class of property specified in the Equipment Schedule pertaining thereto; "Lessor" shall be deemed to include the consolidated Federal taxpayer group of which Lessor is a member; and "Tax Indemnification Payment" shall mean such amount as, after consideration of (i) all taxes required to be paid by Lessor in respect of the receipt thereof under the laws of any governmental or taxing authority in the United States, and (ii) the amount of any interest or penalty which may be payable by Lessor in connection with the Loss, shall be required to cause Lessor's after-tax net return (the "Net Return") to be equal to, but no greater than, the Net Return computed consistently with current tax laws (and with the assumption that Lessor is taxed at the highest marginal Federal and state tax rates) as of the date of this Lease that would have been available to Lessor had the Loss not occurred.

(3) Lessor promptly shall notify Lessee in writing of such Loss and Lessee shall pay to Lessor the Tax Indemnification Payment within thirty (30) days of such notice. For these purposes, a Loss shall occur upon the earliest of: (a) the happening of any event (such as disposition or change in use of any item of the Equipment) which will cause such Loss; (b) the payment by Lessor to the Internal Revenue Service or state taxing authority of the tax increase (including an increase in estimated taxes) resulting from such Loss; (c) the date on which the Loss is realized by Lessor; or (d) the adjustment of the tax return of Lessor to reflect such Loss.

(4) The obligations of Lessee under this Section, which accrue during the term of the Lease, shall survive the expiration or termination of the Lease.

BRANDT ROAD RAIL INC.

By: Neil Marcotte

Neil Marcotte, Sales Manager

Date: Jan. 22/10

FRONTIER RAIL CORPORATION

By: P. Didelius, PRES

Paul Didelius, President

Date: 1-18-2010



**LEASE SCHEDULE
2010-01 A**

REFERENCE DATE: January 13, 2010

THIS SCHEDULE is intended to form a part of that certain Master Lease Agreement 2010-01 (the "Lease") dated for reference as of January 13, 2010 by and between Brandt Road Rail Inc. as Lessor ("Lessor") and Frontier Rail Corporation as Lessee ("Lessee"). The terms and conditions of the Lease are hereby incorporated herein and made a part hereof by reference.

Equipment Supplier/Vendor:	Brandt Road Rail Corporation
Equipment:	1 – 2009 Peterbilt Brandt Power Unit, supplied with Brandt 3028 Crane, grapple & magnet. Truck currently has 6,976 miles and 1,090 hours Serial Number: 1NPTXBEX09D779246
Estimated Date of Delivery:	February 1, 2010
Equipment Location:	Burbank, Washington
Equipment Return Location:	Regina, Saskatchewan
Monthly Lease Payment (to be paid in advance):	\$ 15,881.79 USD
First and last month's payments due upon delivery:	\$ 31,763.58 USD
Term of lease:	60 months

Commencement Date: February 1, 2010 (If the preceding line is left blank, then the date of delivery and acceptance of the equipment as evidenced by Lessee's execution of the Delivery and Acceptance Certificate.)

Lease Expiration Date: the later of January 31, 2015 or 60 months after the Commencement Date.

Additional Terms:

1. On the last day of the term of this lease (the "Termination Date"), Lessee shall (a) return the Equipment to the Lessor and make any payments required pursuant to Paragraph 3 below (the "Termination Option"); or (b) provided no Event of Default under the Lease (a "Default") has occurred and is continuing, purchase all the Equipment covered by this Schedule pursuant to Paragraph 2 below (the "Purchase Option").
2. **Purchase Option.** If Lessee elects the Purchase Option, it shall, upon 30 days written notice to Lessor stating the Effective Purchase Date (the "Purchase Option Notice"), pay to Lessor an amount equal to (a) the Purchase Option Price set forth in Section 4 hereof plus (b) all rent and other amounts then due and payable under the Lease up to and including the Effective Purchase Date plus (c) all sales, use or other taxes or assessments, and transfer charges due upon such sale of the Equipment. Upon receipt of payment in full for the Equipment, the Lessor shall convey and release its entire title and interest, and shall cause any assignee or other transferee of any of Lessor's rights pursuant to this Lease or with respect to the Equipment to convey and release its entire title and interest, in the Equipment to Lessee on an "AS IS, WHERE IS" basis without any representation or warranty, except as to the absence of liens and encumbrances arising by or through the Lessor.
3. **Termination Option.** If Lessee elects the Termination Option, then Lessee shall return the Equipment in the condition and in accordance with Sections 5(a)(i) and 8 of the Lease. On the Termination Date, Lessee shall pay to Lessor (i) all rent and other amounts then due and payable under the Lease up to and including the Termination Date plus (ii) all sales, use or other taxes or assessments and transfer charges due upon the return of the Equipment.
4. **Purchase Option Price:** Initial Purchase Price is 751,581.52 USD. 100% of the rent paid during the course of the Lease up to the Effective Purchase Date (less 1% of the Initial Purchase Price per month leased under this agreement up to the Effective Purchase Date) shall be deducted from the Initial Purchase Price when calculating the Purchase Option Price.
5. **Tax Benefits.** Lessee hereby confirms that Lessee will not represent that it is the owner of the Equipment or attempt to claim any deductions, credits and other tax benefits as are provided by federal, state, and local law to owners of property ("Tax Benefits") including, without limitation, Modified Accelerated cost recovery deduction on the Equipment allowed under Section 168 of the Internal Revenue Code of 1986, as amended for "5 year property" as they pertain to the Equipment. It is the intent of the parties that the Lessor shall be entitled to such "Tax Benefits".

BRANDT ROAD RAIL INC.

By: Neil Marcotte

Neil Marcotte, Sales Manager

Date: Jan. 22/10

FRONTIER RAIL CORPORATION

By: Paul Didelius PRES.

Paul Didelius, President

Date: 1-18-2010

**CERTIFICATION
OF
LEASE AGREEMENT**

Each of the undersigned hereby certifies that attached hereto is an accurate and complete copy of that certain Master Lease Agreement 2010-01, dated January 13, 2010, made by and between BRANDT ROAD RAIL INC. (the "Lessor") and FRONTIER RAIL CORPORATION (the "Lessee"), as currently in effect.

IN WITNESS WHEREOF, the undersigned have caused this Certification to be executed as of Jan. 22, 2010.

LESSOR:

BRANDT ROAD RAIL INC.

By: Neil Marcotte
Name: Neil Marcotte
Title: Sales Manager

PROVINCE OF SASKATCHEWAN)

Personally came before me, this 22 day of January, 2010, the above named Neil Marcotte, the Sales Manager of Brandt Road Rail Inc., to me known to be the person who executed the foregoing instrument and acknowledged the same on behalf of said corporation, by such person's authority.



Keri Leach
Notary Public, Province of Saskatchewan
My Commission expires JUNE 30, 2011

LESSEE:

FRONTIER RAIL CORPORATION

By: Paul Didelius
Name: Paul Didelius
Title: President

STATE OF Washington)
Walla Walla COUNTY) ss.

Personally came before me, this 28th day of January, 2010, the above named Paul Didelius, the President of Frontier Rail Corporation, to me known to be the person who executed the foregoing instrument and acknowledged the same on behalf of said corporation, by such person's authority.



Sheila A. Proefrock
Notary Public, State of Washington
My Commission expires: 4-27-2010