

RECORDATION NO. 26516 FILED

AUG 17 '06 2-30 PM

SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)
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OF COUNSEL
URBAN A. LESTER

August 17, 2006

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Net Railcar Lease, dated as of July 12, 2006, a primary document as defined in the Board's Rules for the Recordation of Documents.

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

Lessor: Babcock & Brown Rail Funding LLC
885 Second Avenue, 49th Floor
New York, NY 10017

Lessee: Tennessee Valley Authority
1101 Market Street
Chattanooga, TN 37402

Mr. Vernon A. Williams
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A description of the railroad equipment covered by the enclosed document is:

125 AutoFlood hopper railcars: TVAX 26125 – TVAX 26249.

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

Memorandum of Net Railcar Lease.

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alvord", with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/sem
Enclosures

AUG 17 '06 2-30 PM

SURFACE TRANSPORTATION BOARD

MEMORANDUM OF NET RAILCAR LEASE

THIS MEMORANDUM OF NET RAILCAR LEASE dated as of this 12th day of July, to that certain Master Net Railcar Lease dated as of August 10, 2005 between TENNESSEE VALLEY AUTHORITY, an agency and instrumentality of the United States and a tax-exempt entity (the "Lessee"), pursuant to which Schedule No. 07 has been executed, is made by the Lessee and BABCOCK & BROWN RAIL FUNDING LLC, a Delaware limited liability company (the "Lessor" and, together with the Lessee, the "Parties").

KNOW ALL PERSONS BY THESE PRESENTS THAT:

WHEREAS, the Parties have entered into that certain Master Net Railcar Lease effective as of August 10, 2006, and Schedule No. 07 thereto effective as of July 12, 2006 (hereinafter as the same may from time to time be amended, modified or supplemented, the "Agreement"), covering the equipment listed on Exhibit A hereto (the "Cars");

WHEREAS, the Parties wish to show for the public record the existence of the aforesaid Agreement, and the respective interests therein of the Parties and accordingly the Parties have caused this memorandum to be executed by their respective duly authorized officers, as of the date first above written.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties hereto, by this instrument the Lessor hereby leases and confirms the lease of the Cars to the Lessee in accordance with the terms and conditions of the Agreement, and the Lessee confirms and accepts such terms and conditions, which are incorporated by reference as if fully set forth herein.

This Memorandum of Net Railcar Lease may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Memorandum of Net Railcar Lease to be executed by a duly authorized officer as of the day and year first above written.

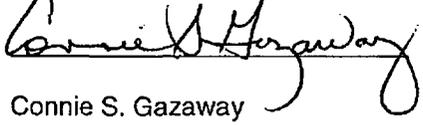
BABCOCK & BROWN RAIL FUNDING LLC, as Lessor

By: 

Name: Ross Sullivan

Title: Vice President

TENNESSEE VALLEY AUTHORITY, as Lessee

By: 

Name: Connie S. Gazaway

Title: Railcar Contract Specialist

STATE OF CALIFORNIA)

) SS:

COUNTY OF SAN FRANCISCO)

On August 3rd, 2006, before me, Heidi Warner, Notary Public, personally appeared Ross Sullivan, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Heidi Wagner



STATE OF TENNESSEE)

) SS:

COUNTY OF HAMILTON)

On Aug. 7, 2006, before me, Cherry P. Griffith Notary Public, personally appeared Connie S. Gazaway, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Cherry P. Griffith

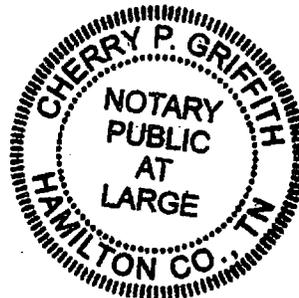


EXHIBIT A

<u>Quantity</u>	<u>Car Description</u>	<u>Reporting Marks and Numbers</u>
One Hundred Twenty-Five (125)	4200 CF Aluminum body Rotary AutoFlood III™ open top coal hoppers, 286,000 lbs. GRL; AAR Car Type Code K341; built in 2006 by FreightCar America, Inc.	TVAX 26125-26249, inclusive.

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: August 17, 2006



Robert W. Alvord