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SURFACE TRANSPORTATION BOARD

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

September 28, 2007

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 an Assignment and Assumption Agreement, dated as of September 28, 2007, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the documents previously filed with the Board under Recordation Number 21650.

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

- Buyer: Babcock & Brown Rail Funding LLC
1 Dag Hammarskjold Plaza
885 Second Avenue, 49th Floor
New York, NY 10017
- Seller: The CIT Group/Equipment Financing, Inc.
11 West 42nd Street
New York, NY 10017

Mr. Vernon A. Williams
September 28, 2007
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A description of the railroad equipment covered by the enclosed document is:

119 railcars within the series CEFX 40355 – CEFX 40592 as more particularly set forth in the equipment schedule attached to the document.

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

Assignment and Assumption Agreement.

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 stamped copies of the enclosed document to the undersigned.

Very truly yours,

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

Robert W. Alvord

RWA/sem
Enclosures

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ASSIGNMENT AND ASSUMPTION AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of September 28, 2007 (this "Agreement"), is between **THE CIT GROUP/EQUIPMENT FINANCING, INC.**, a Delaware corporation (the "Seller"), and **BABCOCK & BROWN RAIL FUNDING LLC**, a Delaware limited liability company (the "Buyer").

W I T N E S S E T H:

WHEREAS, the Buyer and the Seller have entered into that certain Purchase Agreement dated as of September 28, 2007 (the "Purchase Agreement"), providing for the purchase of the Ownership Interest by the Buyer from the Seller, subject to the terms and conditions set forth therein; and

WHEREAS, the Purchase Agreement contemplates the execution and delivery of this Agreement by the Seller and the Buyer on the date hereof.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows.

1. **Definitions.** Capitalized terms used herein without definition shall have the meanings assigned to them in Section 4 of this Agreement.
2. **Assignment.** Effective as to each item of Equipment on the Closing Date, the Seller sells to the Buyer all of the Seller's rights, title and interest, except as reserved under Section 2.1 of the Purchase Agreement, in and to such item and assigns to the Buyer all of the Seller's rights and obligations, except to the extent constituting Existing Obligations, under each of the following as they relate to such items of Equipment:
 - (a) Master Net Railcar Lease made as of September 1, 1998, by and between the Seller and The Detroit Edison Company (the "Lease");
 - (b) Schedule No. 02 to Master Net Railcar Lease dated as of September 1, 1998, by and between the Seller and The Detroit Edison Company;
 - (c) Extension No. 1 to Schedule No. 02 to Master Railcar Lease Agreement entered into as of August 25, 1999 and effective as of September 1, 1999, by and between the Seller and The Detroit Edison Company;
 - (d) Extension to Railcar Equipment Lease entered into as of April 30, 2001 and effective as of April 1, 2001, by and between the Seller and The Detroit Edison Company;
 - (e) Extension to Lease Schedule No. 2 entered into as of November 24, 2003 and effective as of April 1, 2003, by and between the Seller and The Detroit Edison Company;
 - (f) Extension to Lease Schedule No. 2 entered into as of January 15, 2004 and effective as of April 1, 2004, by and between the Seller and The Detroit Edison Company;

(g) Extension to Lease Schedule No. 2 entered into as of May 1, 2006 and effective as of April 1, 2006, by and between the Seller and The Detroit Edison Company; and

(h) Memorandum of Railcar Lease dated as of September 1, 1998, by and between the Seller and The Detroit Edison Company (collectively, the "Assigned Operative Agreements").

Notwithstanding the foregoing, the Seller shall continue to be entitled to the benefit of any rights to indemnification for tax and other matters which arose or may arise from or be related to any event or circumstance occurring or in existence prior to the Closing Date, as specified in the Purchase Agreement.

3. **Acceptance of Assignment; Assumption of Obligations; Effect of Assignment.** The Buyer accepts the assignment contained in Section 2 hereof and, in respect of the period on and after the Closing Date, assumes all obligations of the Seller under, and agrees to be bound to the same extent as the Seller by all the terms of, the Assigned Operative Agreements. Effective on and after the Closing Date, the Buyer shall be deemed to stand in the place of the Seller for all purposes under the Assigned Operative Agreements and each reference in the Assigned Operative Agreements to the Seller shall be deemed to mean the Buyer. The Seller, in respect of the period on and after the Closing Date, is released of all obligations of the lessor under the Assigned Operative Agreements, except to the extent constituting Existing Obligations.

4. **Definitions.** Except as otherwise specified or as the context may otherwise require, the following terms have the respective meanings set forth below whenever used in this Agreement (terms defined in the singular to have a correlative meaning when used in the plural and vice versa).

Bill of Sale: as to any one or more items of Equipment, a bill of sale in the form of Exhibit B hereto.

Closing Date: as to any one or more items of Equipment and related Ownership Interest the date of the Bill of Sale with respect thereto.

Equipment: the items of equipment listed on Exhibit A hereto, together with each and every part, accessory, component and any equipment installed therein or attached thereto owned by the Seller (individually such railcars shall be referred to as an "item" or "items of Equipment").

Existing Obligations: any and all liabilities and obligations of Seller under the Ownership Interest, including the Assigned Operative Agreements, or otherwise relating to the Equipment in each such case, to the extent arising or occurring prior to the Closing Date (whether or not asserted or assessed), and, with respect to the obligations, to have been performed by Seller prior to the Closing Date.

Ownership Interest: the Seller's rights, title and interest in and to the Equipment and the Seller's rights and obligations under the Assigned Operative Agreements, except the Existing Obligations.

5. **Amendments.** No provision of this Agreement may be amended, modified or waived except by written agreement duly executed by each of the parties hereto.

6. **Notices.** All notices, requests or other communications to or upon any party hereto in connection herewith shall be given in the manner prescribed by Section 9.6 of the Purchase Agreement.

7. **Headings.** The section headings used in this Agreement are for convenience of reference only and shall not be used or construed to define, interpret, expand or limit any provision hereof.

8. **Counterparts.** This Agreement may be executed in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

9. **Governing Law.** This Agreement shall be governed by, and construed and enforced in accordance with, the internal substantive laws of the State of New York, without giving effect to the conflict of law rules thereof, other than Section 5-1401 of the New York General Obligations Law.

10. **Recordation.** The Seller and the Buyer agree to record this Agreement with the Surface Transportation Board to evidence the assignment by the Seller to the Buyer of the Seller's rights and obligations under the Lease, which shall have been recorded with the Surface Transportation Board.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Assignment and Assumption Agreement has been duly executed by the parties hereto as of the date first above written.

**THE CIT GROUP/EQUIPMENT
FINANCING, INC., as Seller**

By: Nancy A. Nardella
Name: Nancy A. Nardella
Title: Vice President

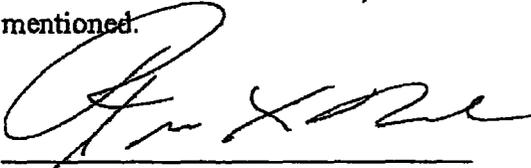
**BABCOCK & BROWN RAIL FUNDING
LLC, as Buyer**

By: _____
Name:
Title:

State of New York)
) ss.:
County of New York)

On this, the 25th day of September, 2007, before me, a Notary Public in and for said County and State, personally appeared Nancy A. Nardella, a Vice President of The CIT Group/Equipment Financing, Inc., who acknowledged himself to be a duly authorized officer of The CIT Group/Equipment Financing, Inc., and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.


Name: _____
Notary Public

Francis X. Nolan, III
Notary Public, State of New York
No. 02NO5026790
Qualified in New York County
Commission Expires June 5, 2010

IN WITNESS WHEREOF, this Assignment and Assumption Agreement has been duly executed by the parties hereto as of the date first above written.

**THE CIT GROUP/EQUIPMENT
FINANCING, INC., as Seller**

By: _____
Name: Nancy A. Nardella
Title: Vice President

**BABCOCK & BROWN RAIL FUNDING
LLC, as Buyer**

By: 
Name: Larry Littlefield
Title: Vice President

State of New York)
) ss.:
County of New York)

On this, the 25th day of September, 2007, before me, a Notary Public in and for said County and State, personally appeared Larry Littlefield, the Vice President of Babcock & Brown Rail Funding LLC, who acknowledged himself/~~herself~~ to be a duly authorized officer of Babcock & Brown Rail Funding LLC, and that, as such officer, being authorized to do so, he/~~she~~ executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: *J. Bedasie*
Notary Public

My Commission Expires: _____
Residing in: _____

INDRA BEDASIE
Notary Public, State of New York
No. 01BE6014602
Qualified in Queens County
Certificate Filed In New York County
Commission Expires October 19, 2010

**EXHIBIT A
TO ASSIGNMENT
AND ASSUMPTION AGREEMENT
EQUIPMENT**

<u>Lessee</u>	<u>Cars</u>	<u>Year Built</u>	<u>AAR Code</u>	<u>Description</u>	<u>Manufacturer</u>	<u>Reporting Marks</u>	<u>Casualty Marks</u>
The Detroit Edison Company	226	1998	J311	4,480 c.f. Aluminum rotary dump coal gondolas	Johnstown America	See Annex I attached.	None

ANNEX I

1.	CEFX	40115	44.	CEFX	40229	84.	CEFX	40311
2.	CEFX	40122	45.	CEFX	40234	85.	CEFX	40317
3.	CEFX	40126	46.	CEFX	40236	86.	CEFX	40318
4.	CEFX	40127	47.	CEFX	40238	87.	CEFX	40320
5.	CEFX	40132	48.	CEFX	40239	88.	CEFX	40321
6.	CEFX	40138	49.	CEFX	40243	89.	CEFX	40322
7.	CEFX	40141	50.	CEFX	40245	90.	CEFX	40323
8.	CEFX	40143	51.	CEFX	40246	91.	CEFX	40324
9.	CEFX	40146	52.	CEFX	40248	92.	CEFX	40326
10.	CEFX	40147	53.	CEFX	40249	93.	CEFX	40327
11.	CEFX	40148	54.	CEFX	40253	94.	CEFX	40329
12.	CEFX	40149	55.	CEFX	40354	95.	CEFX	40331
13.	CEFX	40150	56.	CEFX	40255	96.	CEFX	40332
14.	CEFX	40153	57.	CEFX	40256	97.	CEFX	40333
15.	CEFX	40155	58.	CEFX	40257	98.	CEFX	40335
16.	CEFX	40156	59.	CEFX	40259	99.	CEFX	40337
17.	CEFX	40157	60.	CEFX	40260	100.	CEFX	40338
18.	CEFX	40164	61.	CEFX	40261	101.	CEFX	40339
19.	CEFX	40165	62.	CEFX	40262	102.	CEFX	40341
20.	CEFX	40167	63.	CEFX	40263	103.	CEFX	40342
21.	CEFX	40178	64.	CEFX	40264	104.	CEFX	40347
22.	CEFX	40181	65.	CEFX	40266	105.	CEFX	40348
23.	CEFX	40182	66.	CEFX	40268	106.	CEFX	40352
24.	CEFX	40183	67.	CEFX	40273	107.	CEFX	40353
25.	CEFX	40186	68.	CEFX	40276	108.	CEFX	40355
26.	CEFX	40187	69.	CEFX	40277	109.	CEFX	40356
27.	CEFX	40188	70.	CEFX	40278	110.	CEFX	40357
28.	CEFX	40190	71.	CEFX	40279	111.	CEFX	40358
29.	CEFX	40191	72.	CEFX	40282	112.	CEFX	40360
30.	CEFX	40192	73.	CEFX	40283	113.	CEFX	40361
31.	CEFX	40193	74.	CEFX	40284	114.	CEFX	40364
32.	CEFX	40196	75.	CEFX	40286	115.	CEFX	40365
33.	CEFX	40199	76.	CEFX	40287	116.	CEFX	40366
34.	CEFX	40201	77.	CEFX	40293	117.	CEFX	40368
35.	CEFX	40204	78.	CEFX	40295	118.	CEFX	40369
36.	CEFX	40205	79.	CEFX	40298	119.	CEFX	40370
37.	CEFX	40206	80.	CEFX	40299	120.	CEFX	40371
38.	CEFX	40208	81.	CEFX	40302	121.	CEFX	40372
39.	CEFX	40219	82.	CEFX	40306	122.	CEFX	40373
40.	CEFX	40223	83.	CEFX	40307	123.	CEFX	40375
41.	CEFX	40224				124.	CEFX	40376
42.	CEFX	40225				125.	CEFX	40378
43.	CEFX	40228				126.	CEFX	40380

127.	CEFX	40381	161.	CEFX	40449	195.	CEFX	40533
128.	CEFX	40386	162.	CEFX	40454	196.	CEFX	40534
129.	CEFX	40387	163.	CEFX	40458	197.	CEFX	40535
130.	CEFX	40388	164.	CEFX	40459	198.	CEFX	40539
131.	CEFX	40389	165.	CEFX	40460	199.	CEFX	40541
132.	CEFX	40392	166.	CEFX	40464	200.	CEFX	40542
133.	CEFX	40393	167.	CEFX	40466	201.	CEFX	40543
134.	CEFX	40395	168.	CEFX	40467	202.	CEFX	40545
135.	CEFX	40396	169.	CEFX	40468	203.	CEFX	40546
136.	CEFX	40397	170.	CEFX	40471	204.	CEFX	40548
137.	CEFX	40399	171.	CEFX	40472	205.	CEFX	40549
138.	CEFX	40400	172.	CEFX	40483	206.	CEFX	40550
139.	CEFX	40402	173.	CEFX	40484	207.	CEFX	40553
140.	CEFX	40404	174.	CEFX	40490	208.	CEFX	40559
141.	CEFX	40405	175.	CEFX	40491	209.	CEFX	40560
142.	CEFX	40406	176.	CEFX	40493	210.	CEFX	40563
143.	CEFX	40407	177.	CEFX	40495	211.	CEFX	40564
144.	CEFX	40410	178.	CEFX	40501	212.	CEFX	40565
145.	CEFX	40413	179.	CEFX	40502	213.	CEFX	40567
146.	CEFX	40415	180.	CEFX	40506	214.	CEFX	40568
147.	CEFX	40418	181.	CEFX	40509	215.	CEFX	40573
148.	CEFX	40419	182.	CEFX	40510	216.	CEFX	40575
149.	CEFX	40421	183.	CEFX	40511	217.	CEFX	40576
150.	CEFX	40427	184.	CEFX	40513	218.	CEFX	40579
151.	CEFX	40428	185.	CEFX	40514	219.	CEFX	40580
152.	CEFX	40429	186.	CEFX	40515	220.	CEFX	40584
153.	CEFX	40432	187.	CEFX	40518	221.	CEFX	40587
154.	CEFX	40437	188.	CEFX	40519	222.	CEFX	40588
155.	CEFX	40439	189.	CEFX	40521	223.	CEFX	40589
156.	CEFX	40440	190.	CEFX	40524	224.	CEFX	40590
157.	CEFX	40441	191.	CEFX	40525	225.	CEFX	40591
158.	CEFX	40445	192.	CEFX	40527	226.	CEFX	40592
159.	CEFX	40446	193.	CEFX	40528			
160.	CEFX	40447	194.	CEFX	40530			

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: 9/28/07



Robert W. Alvord