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July 25, 2002

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

RECORDATION NO. 21316-FF FILED
JUL 25 '02 2-03 PM
SURFACE TRANSPORTATION BOARD

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 Lease and Security Interest in Respect of Railcars, dated as of July 25, 2002, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Assignment and Assumption Agreement which is being filed with the Board under Recordation Number 21316-EE.

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

Assignor:	Bombardier Capital Rail, Inc. 12735 Gran Bay Parkway West Suite #1000 Jacksonville, Florida 32258
Assignee:	Babcock & Brown Rail Funding LLC 599 Lexington Avenue New York, New York 10022

Mr. Vernon A. Williams
July 25, 2002
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A description of the railroad equipment covered by the enclosed document is:

450 boxcars: IBT 18400 – IBT 18849.

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

Memorandum of Lease and Security Interest in Respect of Railcars.

Also enclosed is a check in the amount of \$30.00 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,



Robert W. Alvord

RWA/anm
Enclosures

RECORDATION NO.

21316-FF
FILED

JUL 25 '02 2-03PM

EXECUTION VERSION

SURFACE TRANSPORTATION BOARD

MEMORANDUM OF LEASE AND SECURITY INTEREST IN RESPECT OF RAILCARS

THIS MEMORANDUM OF LEASE AND SECURITY INTEREST IN RESPECT OF RAILCARS, dated as of this 25th day of July, 2002, is made by Babcock & Brown Rail Funding LLC, a Delaware limited liability company, with an address at 599 Lexington Avenue, New York, NY 10022 (the "Lessor") and Bombardier Capital Rail Inc., a Minnesota corporation, with an address at 12735 Gran Bay Parkway West, Building 100, Jacksonville, FL 32258 (the "Lessee" and, together with the Lessor, the "Parties").

KNOW ALL PERSONS BY THESE PRESENTS THAT:

WHEREAS, the Lessor and the Lessee entered into that certain Master Railcar Lease dated as of July 25, 2002 and Schedule No. 01 to Master Railcar Lease dated as of July 25, 2002 (collectively, the "Lease") covering the equipment listed on Schedule 1 hereto (the "Equipment");

WHEREAS, the Lessee, as lessor, and Minnesota Dakota & Western Railway Company, a Minnesota corporation, as lessee, are parties to that certain Master Lease Agreement dated as of November 19, 1997, as amended and supplemented by that certain Amendment to Master Lease Agreement dated December 10, 1999, Rider No. 10 to Master Lease Agreement dated as of July 15, 2001 and Amendment to Rider No. 10 dated as of October 1, 2001 (collectively, the "Sublease") covering the Equipment;

WHEREAS, the Lessee has granted the Lessor pursuant to the Lease a security interest in the Sublease;

MEMO OF LEASE

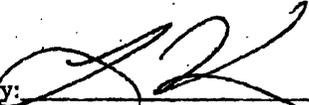
WHEREAS, parties wish to show for the public record the existence of the aforesaid Lease, and the respective interests therein of the Parties, including, but not limited to, the leasehold interest of the Lessee in the Equipment, the security interest of the Lessor in the Sublease, and accordingly the 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 (i) the Lessor hereby leases and confirms the lease of the Equipment to the Lessee in accordance with the terms and conditions of the Lease, and the Lessee confirms and accepts such terms and conditions, which are incorporated by reference as if fully set forth herein, and (ii) the Lessee hereby grants and confirms the grant of a security interest in the Sublease to the Lessor in accordance with the terms and conditions of the Lease.

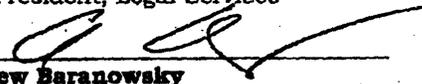
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

BOMBARDIER CAPITAL RAIL INC.,
as Lessee

By: 

Laurence W. Howard, III
Vice President, Legal Services

By: 

Andrew Baranowsky
Assistant Treasurer

BABCOCK & BROWN RAIL FUNDING LLC,
as Lessor

By: _____
Name:
Title:

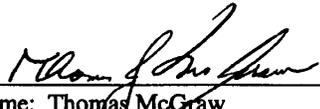
IN WITNESS WHEREOF, this instrument has been duly executed by the parties hereto as of the date first above written.

**BOMBARDIER CAPITAL RAIL INC.,
as Lessee**

By: _____
Name:
Title:

By: _____
Name:
Title:

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

By:  _____
Name: Thomas McGraw
Title: Vice President

State of New York)
)
County of New York)

On this, the 28th day of July, 2002, before me, a Notary Public in and for said County and State, personally appeared **Laurence W. Howard, III.**, and **Andrew Baranowsky**, the Vice President, Legal Services and Assistant Treasurer, respectively of **Bombardier Capital Rail Inc.**, who acknowledged himself/herself to be a duly authorized officer of **Bombardier Capital Rail Inc.**, 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: *Yvette Pena*
Notary Public

My Commission Expires: _____
Residing in: _____

YVETTE PENA
Notary Public, State Of New York
No. 812808785
Qualified in Queens County
Commission Expires December 26, 2005

State of New York)
)
County of New York)

On this, the 23rd day of July, 2002, before me, a Notary Public in and for said County and State, personally appeared Thomas McGraw, a Vice President of Babcock & Brown Rail Funding LLC, who acknowledged himself to be a duly authorized officer of Babcock & Brown Rail Funding LLC, 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: Jennifer Moreno
Notary Public

My Commission Expires:

Jennifer Moreno
Notary Public, State of New York
No. 02M06096346
Qualified in Queens County
Commission Expires January 24, 2006

SCHEDULE A

<u>Quantity</u>	<u>Equipment Description</u>	<u>Reporting Marks and Numbers</u>
450	Standard 50' cushioned underframe plate F boxcars with 286,000 GRL and 12' plug doors on 50K nailable steel floors	IBT 18400 - 18849, inclusive

CERTIFICATION

I, Edward M. Luria, an attorney licensed to practice in the District of Columbia, the State of Delaware and the Commonwealth of Pennsylvania, do hereby certify under penalty of perjury that I have compared the attached copy of an Assignment and Assumption Agreement with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: July 25, 2002

Edward M. Luria

Edward M. Luria