



First Union Rail Corporation
 NC5811
 Commercial Leasing Group
 One O'Hare Centre
 6250 River Road, Suite 5000
 Rosemont, IL 60018
 Tel 847 318-7575
 847 318-7588

VIA UPS 2nd DAY AIR

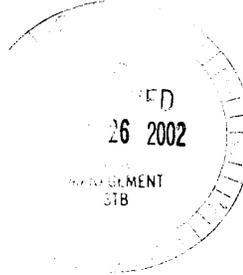
RECORDATION NO. 24263 FILED

December 20, 2002

DEC 27 02 2-18 PM

SURFACE TRANSPORTATION BOARD

Mr. Vernon E. Williams
 Surface Transportation Board
 1925 K Street, N.W., Room 704
 Washington, DC 20423-0001
 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 two (2) originals and two (2) copies of a Memorandum of Lease Agreement, dated December 12, 2002, 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 Center
 6250 River Road, Suite 5000
 Rosemont, IL 60018

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

A description of the railroad equipment covered by the enclosed document is ninety-nine (99) 4080 cubic foot capacity Rapid Discharge II coal cars, with FURX marks (see Exhibit A for 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 \$30.00 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 or concerns regarding the above-referenced matter, please feel free to contact me at (847) 384-5342. Thank you for your cooperation in this matter.

Very truly yours,

Amy Carone
 Manager of Documentation

Enclosures

(TVAU001)

ASSGN. NO.: TVAU001

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 12th day of December, 2002, by and between First Union Rail Corporation ("Lessor"), a North Carolina corporation, and Tennessee Valley Authority ("Lessee"), a Tennessee corporation.

WITNESSETH:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), dated as of December 12, 2002, 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 September 15, 2002, 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

ATTEST:

By: Richard F. Seymour

Name: RICHARD F. SEYMOUR
Vice President Sales & Marketing

By: [Signature]

Title: _____

Name: AMY CARONE

Title: Manager of Documentation Executed on this 12th day of December, 2002

[CORPORATE SEAL]

RECORDATION NO. 24263 FILED

STATE OF ILLINOIS

DEC 27 02 2-18 PM

COUNTY OF COOK

SURFACE TRANSPORTATION BOARD

I, Susan Grokulska, a Notary Public of the County and State aforesaid, certify that Richard F. Seymour personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 12th day of December, 2002

Susan Grokulska
Notary Public

Commission Expires:

8-14-2004
(Notary Public)



LESSEE:

TENNESSEE VALLEY AUTHORITY

ATTEST:

By: Amy Sitten

Name: AMY SITTON

By: _____

Title: TRANSPORTATION CONTRACT ADMIN.

Name: _____

Title: _____

Executed on this 22 day of November, 2002.

[CORPORATE SEAL]

STATE OF Tennessee

COUNTY OF Hamilton

I, Cherry P. Griffith, a Notary Public of the County and State aforesaid, certify that Amy Sitten personally appeared before me this day and acknowledged his/~~her~~ due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 22nd day of November, 2002.

Cherry P. Griffith
Notary Public

Commission Expires: 10/22/03

Cherry P. Griffith
(Notary Public)

EXHIBIT A
to
MEMORANDUM OF LEASE

NUMBER OF CARS: Ninety-nine (99) Cars

DESCRIPTION OF CARS: 4,080 cubic foot capacity, all steel, 5-pocket, 100-ton, mechanized,
Rapid Discharge II coal cars, designed for gross rail load of 270,000 lbs.

CAR NUMBERS: See below:

FURX 925000	FURX 925031	FURX 925062	FURX 925091
FURX 925002	FURX 925032	FURX 925063	FURX 925092
FURX 925003	FURX 925033	FURX 925064	FURX 925093
FURX 925004	FURX 925034	FURX 925066	FURX 925094
FURX 925007	FURX 925035	FURX 925068	FURX 925095
FURX 925009	FURX 925036	FURX 925069	FURX 925096
FURX 925010	FURX 925037	FURX 925070	FURX 925097
FURX 925011	FURX 925038	FURX 925071	FURX 925099
FURX 925012	FURX 925040	FURX 925072	FURX 925100
FURX 925013	FURX 925041	FURX 925073	FURX 925101
FURX 925014	FURX 925042	FURX 925074	FURX 925102
FURX 925015	FURX 925043	FURX 925075	FURX 925103
FURX 925016	FURX 925044	FURX 925077	FURX 925104
FURX 925017	FURX 925045	FURX 925078	FURX 925105
FURX 925018	FURX 925046	FURX 925079	FURX 925107
FURX 925019	FURX 925047	FURX 925080	FURX 925108
FURX 925020	FURX 925048	FURX 925081	FURX 925109
FURX 925022	FURX 925049	FURX 925082	FURX 925110
FURX 925023	FURX 925050	FURX 925083	FURX 925111
FURX 925024	FURX 925052	FURX 925084	FURX 925113
FURX 925025	FURX 925053	FURX 925085	FURX 925114
FURX 925026	FURX 925055	FURX 925086	FURX 925116
FURX 925027	FURX 925056	FURX 925088	FURX 925117
FURX 925029	FURX 925058	FURX 925089	FURX 925118
FURX 925030	FURX 925061	FURX 925090	Count: 99