

RECORDATION NO. 24983 FILED

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SURFACE TRANSPORTATION BOARD

SUSAN G. LICHTENFELD
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June 3, 2004

VIA OVERNIGHT DELIVERY

Mr. Vernon A. Williams
Secretary
Office of the Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423



Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two original executed and two photostatic copies of a Memorandum of Railcar Security Agreement, dated as of May 14, 2004 (the "Memorandum of Railcar Security Agreement") between Johnstown America Corporation ("Secured Party") and Babcock & Brown Rail Funding LLC ("Debtor"), a primary document as defined in the Commissioner's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed Memorandum of Railcar Security Agreement are:

Secured Party:	Johnstown America Corporation 17 Johns Street Johnstown, Pennsylvania 15901
Debtor:	Babcock & Brown Rail Funding LLC 2 Harrison Street, 6 th Floor San Francisco, CA 94105

A description of the railroad equipment covered by the enclosed document is set forth in the Memorandum of Railcar Security Agreement.

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 stamped original and two stamped photostatic copies of the enclosed document and the stamped photostatic copy of this letter to Susan G. Lichtenfeld at Piper Rudnick, 203 North LaSalle Street, Suite 1800, Chicago, Illinois 60601.

Following is a short summary of the enclosed document:

Document to be Recorded

Memorandum of Railcar Security Agreement, dated as of May 14, 2004 between Johnstown America Corporation, as Secured Party, and Babcock & Brown Rail Funding LLC, as Debtor, relating to 13 Rotary AutoFlood III™ railcars.

Very truly yours,

PIPER RUDNICK LLP


Susan G. Lichtenfeld

SGL/rc
Enclosures

MEMORANDUM OF RAILCAR SECURITY AGREEMENT SURFACE TRANSPORTATION BOARD

This Memorandum of Railcar Security Agreement is made and entered into as of May 14, 2004, by and between JOHNSTOWN AMERICA CORPORATION (hereinafter referred to as "Secured Party") and BABCOCK & BROWN RAIL FUNDING LLC (hereinafter referred to as "Debtor").

Pursuant to the Confirmation Letter dated May 14, 2004 and the Terms and Conditions of Sale dated May 14, 2004 (collectively, the "Manufacturing Agreement") between Secured Party and Debtor, and subject to the terms and conditions therein set forth, Secured Party has agreed to manufacture and sell to Debtor, and Debtor has agreed to purchase from Secured Party, certain railcars, including the railcars identified on Schedule A hereto (the "Railcars").

As security for the payment and fulfillment of its obligations to Secured Party under the Manufacturing Agreement pursuant to the "Payment" paragraph thereof, Debtor granted to Secured Party a security interest in the Railcars and the products, proceeds and accessions of and to any of the Railcars, together with all right, title and interest of Debtor therein and all rights and remedies which Debtor might exercise with respect thereto but for the execution of the Manufacturing Agreement.

As contemplated by the Manufacturing Agreement, Secured Party and Debtor hereby make this Memorandum of Railcar Security Agreement to confirm and perfect Secured Party's security interest in the Railcars. Secured Party and Debtor further acknowledge and confirm that this Memorandum of Railcar Security Agreement is not a summary of the Manufacturing Agreement nor a complete recitation of the terms and provisions thereof. Accordingly, Secured Party and Debtor agree that in the event of a conflict between this Memorandum of Railcar Security Agreement and the provisions of the Manufacturing Agreement, the provisions of the Manufacturing Agreement shall control.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Memorandum of Railcar Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date first above written.

SECURED PARTY:

DEBTOR:

JOHNSTOWN AMERICA CORPORATION

BABCOCK & BROWN RAIL FUNDING LLC

By: *Sean P. Henderson*
Name: *Sean P. Henderson*
Title: *Production Manager*

By: _____
Name: _____
Title: _____



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Pursuant to the Confirmation Letter dated May 14, 2004 and the Terms and Conditions of Sale dated May 14, 2004 (collectively, the "Manufacturing Agreement") between Secured Party and Debtor, and subject to the terms and conditions therein set forth, Secured Party has agreed to manufacture and sell to Debtor, and Debtor has agreed to purchase from Secured Party, certain railcars, including the railcars identified on Schedule A hereto (the "Railcars").

As security for the payment and fulfillment of its obligations to Secured Party under the Manufacturing Agreement pursuant to the "Payment" paragraph thereof, Debtor granted to Secured Party a security interest in the Railcars and the products, proceeds and accessions of and to any of the Railcars, together with all right, title and interest of Debtor therein and all rights and remedies which Debtor might exercise with respect thereto but for the execution of the Manufacturing Agreement.

As contemplated by the Manufacturing Agreement, Secured Party and Debtor hereby make this Memorandum of Railcar Security Agreement to confirm and perfect Secured Party's security interest in the Railcars. Secured Party and Debtor further acknowledge and confirm that this Memorandum of Railcar Security Agreement is not a summary of the Manufacturing Agreement nor a complete recitation of the terms and provisions thereof. Accordingly, Secured Party and Debtor agree that in the event of a conflict between this Memorandum of Railcar Security Agreement and the provisions of the Manufacturing Agreement, the provisions of the Manufacturing Agreement shall control.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Memorandum of Railcar Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date first above written.

SECURED PARTY:

DEBTOR:

JOHNSTOWN AMERICA CORPORATION

BABCOCK & BROWN RAIL FUNDING LLC

By: _____
Name: _____
Title: _____

By: 
Name: Ross Sullivan
Title: Vice President



COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF CAMBRIA)

SS:

On this 28th day of May, 2004, before me personally appeared Sean Hankinson, to me personally known, who being duly sworn, says that he is a Product Line Mgr. of JOHNSTOWN AMERICA CORPORATION, a Delaware corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Melissa J. Landis
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Melissa J. Landis, Notary Public
City of Johnstown, Cambria County
My Commission Expires July 8, 2007
Member, Pennsylvania Association of Notaries

STATE OF _____)
COUNTY OF _____) :SS

On this ____ day of May, 2004, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a _____ of BABCOCK & BROWN RAIL FUNDING LLC, a _____ limited liability company, that said instrument was signed on behalf of said limited liability company by an officer duly authorized to sign said instrument, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said limited liability company.

Notary Public

[NOTARIAL SEAL]

My Commission expires:



SCHEDULE A
TO MEMORANDUM OF RAILCAR SECURITY AGREEMENT

13 Rotary AutoFlood III™ railcars manufactured by Johnstown America Corporation bearing the following road marks and numbers (all inclusive):

CHTT 503554 through CHTT 503566 (both inclusive)

