

DEC 28 '05 2:55 PM

SURFACE TRANSPORTATION BOARD

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

OF COUNSEL  
URBAN A. LESTER

December 20, 2005

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 December 14, 2005, 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  
New York, New York 10017

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

Mr. Vernon A. Williams  
December 20, 2005  
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A description of the railroad equipment covered by the enclosed document  
is:

125 BethGon III open top coal hopper railcars: TVAX 25377, TVAX  
25390, TVAX 25477, TVAX 25478, TVAX 25491, TVAX 25492, TVAX  
25503, and TVAX 25507 – TVAX 25624.

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 \$33.00 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

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SURFACE TRANSPORTATION BOARD

**MEMORANDUM OF NET RAILCAR LEASE**

THIS MEMORANDUM OF NET RAILCAR LEASE dated as of this 14<sup>th</sup> day of December, 2005, 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. 05 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 and Schedule No. 05 thereto effective as of December 14, 2005 (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.

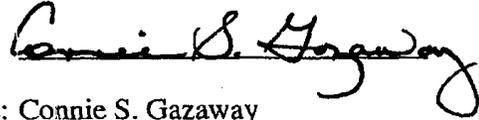
BABCOCK & BROWN RAIL FUNDING LLC, as Lessor

By: 

Name: Ross Sullivan

Title: Vice President

TENNESSEE VALLEY AUTHORITY, as Lessee

By: 

Name: Connie S. Gazaway

Title: Railcar Contract Specialist

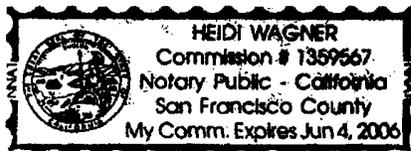
STATE OF CALIFORNIA )

) SS:

COUNTY OF SAN FRANCISCO )

On this 14<sup>th</sup> day of December, 2005 before me personally appears Ross Sullivan, to me personally known, who by me duly sworn, says that he is the Vice President of Babcock & Brown Rail Funding LLC (the "Company"), that the foregoing instrument was signed on behalf of the said Company by authority of its Officers, and he acknowledged that the execution of the foregoing instrument was the free act and deed of the said Company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Heidi Wagner

Notary Public

[SEAL]

My Commission expires: June 4, 2006

STATE OF TENNESSEE )

) SS:

COUNTY OF HAMILTON )

On this 19 day of December, 2005 before me personally appears Connie S. Gazaway, to me personally known, who by me duly sworn, says that she is the Railcar Contract Specialist of Tennessee Valley Authority (the "Company"), that the foregoing instrument was signed on behalf of the said Company, and she acknowledged that the execution of the foregoing instrument was the free act and deed of the said Company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Ruth A. Workman

Notary Public

My Commission expires: April 11, 2009

**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 2005 by FreightCar America, Inc.	TVAX 25377, 25390, 25477, 25478, 25491, 25492, 25503, and 25507-25624, 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: December 28, 2005



Robert W. Alvord