

AUG 16 '06 11-51 AM

SURFACE TRANSPORTATION BOARD

ALVORD AND ALVORD
ATTORNEYS AT LAW
1050 SEVENTEENTH STREET, N.W.
SUITE 301
WASHINGTON, D.C.

20036

(202) 393-2266

FAX (202) 393-2156

E-MAIL alvordlaw@aol.com

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

OF COUNSEL
URBAN A. LESTER

August 16, 2006

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 Termination Agreement, dated as of July 7, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Railcar Lease Agreement and related documents previously filed with the Board under Recordation Number 18225.

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

Head Lessee: North America Rail Leasing #3 LLC
(d/b/a Babcock & Brown Rail Leasing)
230 Park Avenue, 32nd Floor
New York, NY 10169

Head Lessor: The Clearwater Partnership, LLP
c/o Revival Leasing Limited
P O Box 1093 GT
Queensgate House South Church Street
Grand Cayman Cayman Islands

Indenture Trustee: Wells Fargo Bank Northwest, N.A.
299 South Main Street, 12th Floor
MAC U1228 - 120
Salt Lake City, UT 84111

Mr. Vernon A. Williams
August 16, 2006
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A description of the railroad equipment covered by the enclosed document
is:

100 covered coil railcars TERMINATED: EJE 7400 – EJE 7499.

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

Termination Agreement.

Also enclosed is a check in the amount of \$34.00 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 'R. Alvord', with a long horizontal stroke extending to the right.

Robert W. Alvord

RWA/sem
Enclosures

AUG 16 '06

11-51 AM

SURFACE TRANSPORTATION BOARD

TERMINATION AGREEMENT

This TERMINATION AGREEMENT dated as of July 7, 2006 (this "Agreement") is among North America Rail Leasing #3 LLC (d/b/a Babcock & Brown Rail Leasing), a Delaware limited liability company (the "Head Lessee"), The Clearwater Partnership, LLP, a Delaware limited liability partnership (the "Head Lessor") and Wells Fargo Bank Northwest, National Association, as indenture trustee under the Trust Indenture referred to below (the "Indenture Trustee"). Capitalized terms used herein without definition shall have the meanings set forth in that certain Master Railcar Head Lease Agreement (COMBI 2) dated as of October 26, 2004 (as amended, modified or supplemented from time to time, the "Head Lease") among the Head Lessee, the Head Lessor, The Emerson Partnership, LLP, The Grand Leasing Partnership, LLP and The Freight Leasing Partnership, LLP.

RECITALS

WHEREAS, Elgin, Joliet and Eastern Railway Company, as lessee (the "Lessee") under that certain Master Railcar Lease Agreement dated as of April 30, 1993 (as amended, modified or supplemented from time to time, the "EJ&E Lease"), has elected to exercise its purchase option under and pursuant to the EJ&E Lease to purchase the railcars subject to the EJ&E Lease identified on Exhibit I hereto (the "Units"), and the Head Lessee, as lessor under the EJ&E Lease, has agreed to sell the Units to the Lessee; and

WHEREAS, the Head Lessee and the Head Lessor have agreed to terminate the Head Lease and Supplement No. 8 to Master Railcar Head Lease Agreement (COMBI 2) (as amended, modified or supplemented from time to time, the "Lease Supplement") only with respect to the Units on the terms and conditions set forth herein; and

WHEREAS, the Units are part of the collateral granted to the Indenture Trustee pursuant to that certain Trust Indenture and Security Agreement (COMBI 2) dated as of October 26, 2004 (as amended, modified or supplemented, the "Trust Indenture") among, *inter alia*, the Head Lessor, the Head Lessee and the Indenture Trustee;

WHEREAS, the Head Lessor and the Indenture Trustee (as assignee of Lombard North Central plc) are parties to that certain Memorandum of Mortgage (INTOL II) dated as of October 20, 2001 filed with the Surface Transportation Board ("STB") and the Registrar General of Canada ("RGC"), as amended by that certain Amended Memorandum of Mortgage dated as of October 26, 2004 (as amended, the "Memo of Mortgage") filed with the STB and the RGC evidencing the security interest of the Indenture Trustee in the Units; and

WHEREAS, the Head Lessor and the Head Lessee are parties to that certain Memorandum of Head Lease dated as of October 26, 2004 (the "Memo of Head Lease") filed with the STB and the RGC, which reflects their respective interests under the Lease Supplement; and

WHEREAS, the parties hereto wish to terminate their respective interests in the Units under the Head Lease, the Lease Supplement and the Trust Indenture, respectively, and to record such termination with the STB and the RGC.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective on the date hereof:

(a) the Head Lease and the Lease Supplement shall terminate only with respect to the Units;

(b) the Indenture Trustee hereby releases the lien of the Indenture only with respect to the EJ&E Lease and the Units; and

(c) each of the Memo of Mortgage and the Memo of Lease shall terminate only with respect to the EJ&E Lease and the Units.

2. Except as set forth in this Agreement:

(a) each of the Head Lease, the Lease Supplement and the Trust Indenture shall remain in full force and effect in all other respects;

(b) each of the Memo of Mortgage and the Memo of Lease as filed with the STB shall remain unchanged and in full force and effect.

3. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

4. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW (OTHER THAN TITLE 14 OF ARTICLE 5 OF THE GENERAL OBLIGATIONS LAW). THIS AGREEMENT IS DELIVERED IN THE STATE OF NEW YORK.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Head Lessee, the Head Lessor and the Indenture Trustee have executed and delivered this Termination Agreement as of the date first above written.

NORTH AMERICA RAIL LEASING #3 LLC
(d/b/a BABCOCK & BROWN RAIL LEASING),
as the Head Lessee

By: 
Name: Ross Sullivan
Title: Vice President

THE CLEARWATER PARTNERSHIP, LLP,
as the Head Lessor

By: Lloyds TSB Equipment Leasing (No. 5)
Limited, its General Partner

By: _____
Name:
Title:

WELLS FARGO BANK NORTHWEST,
NATIONAL ASSOCIATION, as Indenture Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Head Lessee, the Head Lessor and the Indenture Trustee have executed and delivered this Termination Agreement as of the date first above written.

NORTH AMERICA RAIL LEASING #3 LLC
(d/b/a BABCOCK & BROWN RAIL LEASING),
as the Head Lessee

By: _____
Name:
Title:

THE CLEARWATER PARTNERSHIP, LLP,
as the Head Lessor

By: Lloyds TSB Equipment Leasing (No. 5)
Limited, its General Partner

By: 
Name:
Title: **ADRIAN ALCOCK**
Head of Portfolio Management

WELLS FARGO BANK NORTHWEST,
NATIONAL ASSOCIATION, as Indenture Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Head Lessee, the Head Lessor and the Indenture Trustee have executed and delivered this Termination Agreement as of the date first above written.

NORTH AMERICA RAIL LEASING #3 LLC
(d/b/a BABCOCK & BROWN RAIL LEASING),
as the Head Lessee

By: _____
Name:
Title:

THE CLEARWATER PARTNERSHIP, LLP,
as the Head Lessor

By: Lloyds TSB Equipment Leasing (No. 5)
Limited, its General Partner

By: _____
Name:
Title:

WELLS FARGO BANK NORTHWEST,
NATIONAL ASSOCIATION, as Indenture Trustee

By: 
Name:
Title: **NANCY M. DAHL
VICE PRESIDENT**

STATE OF CALIFORNIA)

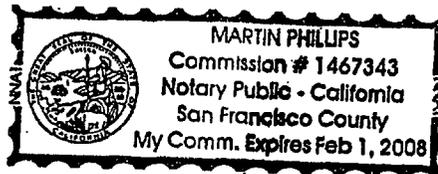
) SS:

COUNTY OF SAN FRANCISCO)

On July 10, 2006, before me, MARTIN PHILLIPS, Notary Public, personally appeared Ross Sullivan, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Martin Phillips



State of _____)
Kingdom of England)
City of London)
County of _____)



On this, the 11th day of July, 2006, before me, a Notary Public in and for said ~~County~~ ^{City} and ~~State~~ ^{Kingdom}, personally appeared Adrian Paul Alcock, who acknowledged himself/herself to be a duly authorized person of The Clearwater Partnership, LLP, and that, as such duly authorized person, 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: *Andrew J. Claudet*
Notary Public

My Commission Expires: _____
Residing in: _____
Notary Public, London, England
(Andrew J. Claudet)
My Commission Expires with Life



State of Utah)
)
County of Salt Lake)

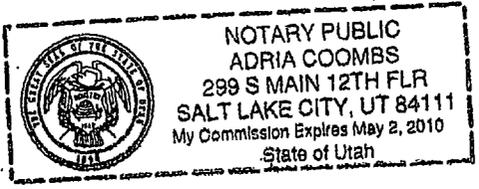
On this, the 20 day of July, 2006, before me, a Notary Public in and for said County and State, personally appeared Nancy M. Dahl, who acknowledged himself/herself to be a duly authorized person of Wells Fargo Bank Northwest, National Association, and that, as such duly authorized person, he/she executed 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: Adria Coombs
Notary Public

My Commission Expires: _____

Residing in: _____



[Termination of Security Interest (Security Assignment)]

**Exhibit I to
Termination Agreement**

EQUIPMENT

<u>Lessee</u>	<u>No. of Cars</u>	<u>Description</u>	<u>Reporting Marks</u>
Elgin, Joliet and Eastern Railway Company	100	Covered Coil Cars	EJE 7400-7499, inclusive

3894139_v1

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: 8/16/06



Robert W. Alvord