

RECORDATION NO. 26048-A FILED

DEC 22 '06 -11 35 AM

SURFACE TRANSPORTATION BOARD

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

December 22, 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 of Security Interest, dated as of December 22, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document is a complete termination and relates to the Memorandum of Mortgage previously filed with the Board under Recordation Number 26048.

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

Borrower: Babcock & Brown Rail Funding LLC
885 Second Avenue
49th Floor
New York, NY 10017

Secured Party: Bayerische Hypo-Und Vereinsbank AG, Agent
FPA 4 Lease/Asset Finance
Am Tucherpark 1 (FPA)
80538 Munich
Germany

Mr. Vernon A. Williams
December 22, 2006
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A description of the railroad equipment covered by the enclosed document is:

237 boxcars: NS 472000 - NS 472239 (excluding casualties NS 472030, NS 472033 and NS 472201).

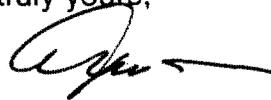
A short summary of the document to appear in the index is:

Termination of Security Interest.

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,



Robert W. Alvord

RWA/sem
Enclosures

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-11 35 AM

EXECUTION VERSION

SURFACE TRANSPORTATION BOARD

TERMINATION OF SECURITY INTEREST

THIS TERMINATION OF SECURITY INTEREST (this "Termination") is made this 22th day of December, 2006 between **BABCOCK & BROWN RAIL FUNDING LLC** (the "Borrower") and **BAYERISCHE HYPO- UND VEREINSBANK AG**, as agent (the "Agent") for the banks under the Amended and Restated Security Agreement dated as of October 18, 2002 (as amended, supplemented or otherwise modified through the date hereof, the "Security Agreement"). Capitalized terms used in this Termination and not otherwise defined herein shall have the meanings (by cross-reference or otherwise) in the Security Agreement.

WHEREAS, the Security Agreement created a lien and security interest in favor of the Agent in and to the Units and the Qualifying Leases (each as defined in the Security Agreement);

WHEREAS, the Borrower is party to those certain Memoranda of Mortgage described in Schedule I hereto, each copy of which was duly filed with the Surface Transportation Board (the "STB") (the "Memoranda of Mortgage"); and

WHEREAS, the Borrower and the Agent now desire to terminate and cancel the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, and to record such termination and cancellation with the STB.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Agent, intending to be legally bound, agree as follows:

1. The Borrower and the Agent hereby terminate and cancel the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, effective as of the date this Termination is filed with the STB (the "Effective Date"), and the Borrower and the Agent hereby agree that no rights, duties or liabilities under the Security Agreement in relation to the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage shall survive such termination and cancellation of the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, except with respect to acts, events, or omissions under the Security Agreement occurring on or prior to the Effective Date and indemnities with respect to such acts, events or omissions.

2. The Borrower and the Agent agree to record this Termination with the STB so as to release any security interest in and mortgage lien upon the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage created by or arising out of the Security Agreement.

[Termination of Security Interest]

3. This Termination may be executed in any number of counterparts, each executed counterpart constituting an original but all together constituting only one and the same agreement.

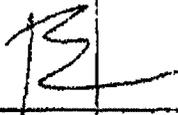
4. This Termination shall be governed by and construed in accordance with the laws of the State of New York and is being delivered in the State of New York.

* * *

[Termination of Security Interest]

IN WITNESS WHEREOF, the Borrower and the Agent have each caused this Termination of Security Interest to be duly executed and delivered as of the date first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

By: 

Name: Bruce J. Carusi
Title: Vice President

**BAYERISCHE HYPO- UND
VEREINSBANK AG**, not in its individual
capacity except as expressly provided herein,
but solely as Agent

By: _____

Name:
Title:

By: _____

Name:
Title:

[Termination of Security Interest]

STATE OF *New York*)
COUNTY OF *New York*)) ss.:

On December 20, 2006, before me, Clementina Capasso, Notary Public, personally appeared Bruce J. Carusi, 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.

Clementina Capasso

CLEMENTINA CAPASSO
NOTARY PUBLIC, STATE OF NEW YORK
No. 01CA6120806
QUALIFIED IN NEW YORK COUNTY
MY COMMISSION EXPIRES DEC. 27, 2018

IN WITNESS WHEREOF, the Borrower and the Agent have each caused this Termination of Security Interest to be duly executed and delivered as of the date first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

By: _____
Name:
Title:

**BAYERISCHE HYPO- UND
VEREINSBANK AG**, not in its individual
capacity except as expressly provided herein,
but solely as Agent

By:  _____
Name: Markus Pransky
Title: Director

By:  _____
Name: Erkan Yilmaz
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Subscribed to me on this 21st day of December, 2006 by Markus Pransky,
Director of Bayerische Hypo- und Vereinsbank AG and Erkan Yilmaz, _____ of Bayerische
Hypo- und Vereinsbank AG.


Notary Public

[Notarial Seal]

IDA LAZARA RUBIN
Notary Public, State of New York
No. 01RU6134160
Qualified in New York County
Commission Expires August 9, 2008

[Termination of Security Interest]

Schedule I to
Termination of Security Interest

EQUIPMENT

<u>Memoranda of Mortgage</u>	<u># Cars</u>	<u>Year Built</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Casualty Marks</u>
Memorandum of Mortgage dated December 28, 2005	125	2005	4520 CF Aluminum body rotary dump BethGon II coal porter railcars, 286,000 GRL, AAR car type code J311	CCTX 7001-7125, inclusive	None
Memorandum of Mortgage dated December 28, 2005	15	2005	4520 CF Aluminum body rotary dump BethGon II coal porter railcars, 286,000 GRL, AAR car type code J311	EDEX 99424-99438, inclusive	None
Memorandum of Mortgage dated December 28, 2005	125	2005	4200 CF Aluminum body Rotary AutoFlood III open top coal hopper railcars, 286,000 GRL; AAR car type code K341	TVAX 25377, 25390, 25477, 25478, 25491, 25492, 25503, and 25507-25624, inclusive	None
Memorandum of Mortgage dated December 28, 2005	100	2005 and 2006	112-Ton, 42' continuous trough covered coil cars, 286,000 GRL, AAR car type code E241	AOK 34200-34299, inclusive	None
Memorandum of Mortgage dated December 22, 2005	237	2003	60' Plate F oushioned boxcars with 12' plug doors, 286,000 GRL, AAR car type code B635	NS 472000-472239, inclusive	NS 472030, 472033, and 472201

[Termination of Security Interest]

Memorandum of Mortgage dated April 12, 2006	303	2006	4520 CF Aluminum Outside Stake BethGon II coal porter railcars, 286,000 GRL, AAR car type code J311	PSTX 2001-2307, inclusive	PSTX 2290, 2292, 2293 and 2294
Memorandum of Mortgage dated June 21, 2006	20	2006	3230 CF Pressure Differential covered hopper railcars, 286,000 GRL, AAR car type code C612	LAFX 060141-060160, inclusive	None
Memorandum of Mortgage dated June 21, 2006	20	2006	3230 CF Pressure Differential covered hopper railcars, 286,000 GRL, AAR car type code C612	LAFX 060161-060180, inclusive	None
Memorandum of Mortgage dated June 21, 2006	10	2006	3230 CF Pressure Differential covered hopper railcars, 286,000 GRL, AAR car type code C612	SWSX 60601-60610, inclusive	None
Memorandum of Mortgage dated July 13, 2006	125	2006	4200 CF Aluminum body AutoFlood III open top hopper railcars, 286,000 GRL, AAR car type code K341	OUCX 26001-26125, inclusive	None
Memorandum of Mortgage dated July 25, 2006	125	2006	4200 CF Aluminum body AutoFlood III open top hopper railcars, 286,000 GRL, AAR car type code K341	AZPX 90001-90125, inclusive	None

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: _____

12/22/06



Robert W. Alvord