

RECORDATION NO. 27291 FILED

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SURFACE TRANSPORTATION BOARD

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

December 21, 2007

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 January 31, 2006, 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: North America Rail Leasing #3 LLC
(d/b/a Babcock & Brown Rail Leasing)
1 Dag Hammarskjold Plaza
885 Second Avenue, 49th Floor
New York, NY 10017

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

Mr. Vernon A. Williams
December 21, 2007
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A description of the railroad equipment covered by the enclosed document is:

119 railcars: TVAX 24881 - TVAX 24999 (previously marked with CWEX reporting marks and road numbers as more particularly set forth in the attachment to the document).

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 \$35.00 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 "Alvord", with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/sem
Enclosures

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SURFACE TRANSPORTATION BOARD

MEMORANDUM OF NET RAILCAR LEASE

THIS MEMORANDUM OF NET RAILCAR LEASE dated as of this 31st day of January 31, 2006, to that certain Master Net Railcar Lease effective as of January 31, 2006 between Babcock & Brown Rail Leasing Co. and TENNESSEE VALLEY AUTHORITY, an agency and instrumentality of the United States and a tax-exempt entity (the "Lessee"), pursuant to which Schedule No. 01 has been executed, is made by the Lessee and NORTH AMERICA RAIL LEASING #3 LLC (d/b/a Babcock & Brown Rail Leasing), 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. 01 thereto effective as of January 31, 2006 (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.

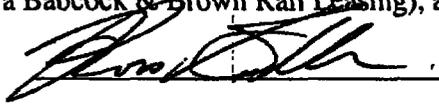
NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties hereto, by this instrument the Lessor hereby leases and confirms the lease of the Cars to the Lessee in accordance with the terms and conditions of the Agreement, and the Lessee 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.

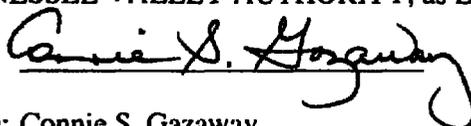
NORTH AMERICA RAIL LEASING #3 LLC
(d/b/a Babcock & Brown Rail Leasing), as Lessor

By: 

Name: Ross Sullivan

Title: Vice President

TENNESSEE VALLEY AUTHORITY, as Lessee

By: 

Name: Connie S. Gazaway

Title: Railcar Contract Specialist

STATE OF NEW YORK)

) SS:

COUNTY OF NEW YORK)

On this 28th day of February, 2006 before me personally appears Ross Sullivan, to me personally known, who by me duly sworn, says that he is the Vice President of North America Rail Leasing #3 LLC (d/b/a Babcock & Brown Rail Leasing) (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.

Clementina Capasso

Notary Public

[SEAL]

My Commission expires:

CLEMENTINA CAPASSO
NOTARY PUBLIC, STATE OF NEW YORK
No. 01CA6120806
QUALIFIED IN NEW YORK COUNTY
MY COMMISSION EXPIRES DEC. 27, 2008

STATE OF TENNESSEE)

) SS:

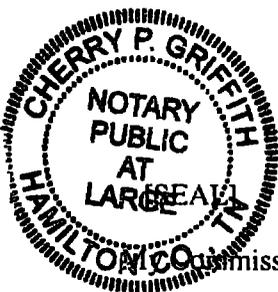
COUNTY OF HAMILTON)

On this 3rd day of March, 2006 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.

Cherry P. Griffith

Notary Public



My Commission expires: 10/17/07

EXHIBIT A

One Hundred and Nineteen (119) 4480 CF Aluminum body BethGon coal porter railcars,
286,000 lbs. GRL; AAR Car Type Code J311; built in 1999 by Johnstown America.

<u>Current Reporting</u>		<u>Replacement</u>		<u>Current Reporting</u>		<u>Replacement</u>	
<u>Marks and Numbers</u>		<u>Marks and Numbers</u>		<u>Marks and Numbers</u>		<u>Marks and Numbers</u>	
1	CWEX 24009	TVAX 24881		31	CWEX 24052	TVAX 24911	
2	CWEX 24142	TVAX 24882		32	CWEX 24159	TVAX 24912	
3	CWEX 24034	TVAX 24883		33	CWEX 24079	TVAX 24913	
4	CWEX 24117	TVAX 24884		34	CWEX 24095	TVAX 24914	
5	CWEX 24081	TVAX 24885		35	CWEX 24141	TVAX 24915	
6	CWEX 24084	TVAX 24886		36	CWEX 24217	TVAX 24916	
7	CWEX 24017	TVAX 24887		37	CWEX 24028	TVAX 24917	
8	CWEX 24156	TVAX 24888		38	CWEX 24188	TVAX 24918	
9	CWEX 24089	TVAX 24889		39	CWEX 24134	TVAX 24919	
10	CWEX 24154	TVAX 24890		40	CWEX 24167	TVAX 24920	
11	CWEX 24092	TVAX 24891		41	CWEX 24220	TVAX 24921	
12	CWEX 24010	TVAX 24892		42	CWEX 24073	TVAX 24922	
13	CWEX 24071	TVAX 24893		43	CWEX 24182	TVAX 24923	
14	CWEX 24086	TVAX 24894		44	CWEX 24077	TVAX 24924	
15	CWEX 24051	TVAX 24895		45	CWEX 24198	TVAX 24925	
16	CWEX 24231	TVAX 24896		46	CWEX 24065	TVAX 24926	
17	CWEX 24227	TVAX 24897		47	CWEX 24132	TVAX 24927	
18	CWEX 24030	TVAX 24898		48	CWEX 24027	TVAX 24928	
19	CWEX 24048	TVAX 24899		49	CWEX 24058	TVAX 24929	
20	CWEX 24103	TVAX 24900		50	CWEX 24093	TVAX 24930	
21	CWEX 24155	TVAX 24901		51	CWEX 24040	TVAX 24931	
22	CWEX 24070	TVAX 24902		52	CWEX 24148	TVAX 24932	
23	CWEX 24157	TVAX 24903		53	CWEX 24111	TVAX 24933	
24	CWEX 24067	TVAX 24904		54	CWEX 24149	TVAX 24934	
25	CWEX 24237	TVAX 24905		55	CWEX 24213	TVAX 24935	
26	CWEX 24015	TVAX 24906		56	CWEX 24100	TVAX 24936	
27	CWEX 24133	TVAX 24907		57	CWEX 24016	TVAX 24937	
28	CWEX 24094	TVAX 24908		58	CWEX 24074	TVAX 24938	
29	CWEX 24171	TVAX 24909		59	CWEX 24023	TVAX 24939	
30	CWEX 24005	TVAX 24910		60	CWEX 24222	TVAX 24940	

EXHIBIT A (CONT'D.)

One Hundred and Nineteen (119) 4480 CF Aluminum body BethGon coal porter railcars, 286,000 lbs. GRL; AAR Car Type Code J311; built in 1999 by Johnstown America.

		<u>Current Reporting</u>					<u>Replacement</u>			
		<u>Marks and Numbers</u>			<u>Marks and Numbers</u>			<u>Marks and Numbers</u>		
61	CWEX	24042	TVAX	24941	91	CWEX	24110	TVAX	24971	
62	CWEX	24129	TVAX	24942	92	CWEX	24099	TVAX	24972	
63	CWEX	24036	TVAX	24943	93	CWEX	24060	TVAX	24973	
64	CWEX	24105	TVAX	24944	94	CWEX	24062	TVAX	24974	
65	CWEX	24158	TVAX	24945	95	CWEX	24063	TVAX	24975	
66	CWEX	24069	TVAX	24946	96	CWEX	24088	TVAX	24976	
67	CWEX	24013	TVAX	24947	97	CWEX	24190	TVAX	24977	
68	CWEX	24226	TVAX	24948	98	CWEX	24118	TVAX	24978	
69	CWEX	24050	TVAX	24949	99	CWEX	24201	TVAX	24979	
70	CWEX	24037	TVAX	24950	100	CWEX	24039	TVAX	24980	
71	CWEX	24215	TVAX	24951	101	CWEX	24108	TVAX	24981	
72	CWEX	24196	TVAX	24952	102	CWEX	24212	TVAX	24982	
73	CWEX	24038	TVAX	24953	103	CWEX	24174	TVAX	24983	
74	CWEX	24189	TVAX	24954	104	CWEX	24185	TVAX	24984	
75	CWEX	24208	TVAX	24955	105	CWEX	24044	TVAX	24985	
76	CWEX	24056	TVAX	24956	106	CWEX	24006	TVAX	24986	
77	CWEX	24166	TVAX	24957	107	CWEX	24114	TVAX	24987	
78	CWEX	24064	TVAX	24958	108	CWEX	24107	TVAX	24988	
79	CWEX	24211	TVAX	24959	109	CWEX	24126	TVAX	24989	
80	CWEX	24097	TVAX	24960	110	CWEX	24181	TVAX	24990	
81	CWEX	24020	TVAX	24961	111	CWEX	24119	TVAX	24991	
82	CWEX	24000	TVAX	24962	112	CWEX	24150	TVAX	24992	
83	CWEX	24024	TVAX	24963	113	CWEX	24235	TVAX	24993	
84	CWEX	24116	TVAX	24964	114	CWEX	24035	TVAX	24994	
85	CWEX	24025	TVAX	24965	115	CWEX	24199	TVAX	24995	
86	CWEX	24029	TVAX	24966	116	CWEX	24018	TVAX	24996	
87	CWEX	24041	TVAX	24967	117	CWEX	24019	TVAX	24997	
88	CWEX	24012	TVAX	24968	118	CWEX	24026	TVAX	24998	
89	CWEX	24032	TVAX	24969	119	CWEX	24173	TVAX	24999	
90	CWEX	24168	TVAX	24970						

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: 12/21/07



Robert W. Alvord