

HELM FINANCIAL CORPORATION

One Embarcadero Center • San Francisco, CA 94111

415/398-4510

FAX 415/398-4816

August 7, 1998

RECORDATION NO. 21573 FILED

AUG 10 '98

11-19 AM

Mr. Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Mr. Williams:

Enclosed are two (2) originals of the **Security Agreement** dated as of May 14, 1998 between the following parties:

"Secured Party": Helm Financial Corporation
One Embarcadero Center, Suite 3700
San Francisco, CA 94111

"Debtor": Northern Railcar Leasing
5300 North 33rd Street
Milwaukee, WI 53209-0229

The equipment involved in this transaction is as follows:

Equipment: See attached ~~Schedule~~ [✓] Schedule A to agreement

Please file the agreement as a primary document and return one (1) stamped original to my attention. A check covering the filing fee of twenty-six dollars (\$26.00) is enclosed.

Sincerely,



Alison Drain
Document Administrator

/ad
Enclosures (2)

SECURITY AGREEMENT

AUG 10 '98

11-19 AM

This Security Agreement ("**Security Agreement**") is entered into as of May 14, 1998 by and between Helm Financial Corporation, a California corporation ("**Secured Party**"), and Northern Railcar Leasing, a Wisconsin corporation ("**Debtor**").

1. **Recitals.** Secured Party has loaned to Debtor One Hundred Twenty-Four Thousand Dollars (\$124,000) ("**Loan**") and has received a Promissory Note dated May 14, 1998 in the same amount ("**Note**"). To secure Debtor's performance under the Note, Debtor has agreed to grant Secured Party a security interest in certain collateral as described in this Security Agreement.

2. **Creation of Security Interest.** As security for Debtor's performance of each provision of the Note to be performed by Debtor, Debtor hereby grants to Secured Party a continuing security interest in and to the those certain railcars described in Schedule A attached hereto and incorporated herein by this reference ("**Collateral**"). The security interest created by this Security Agreement also covers all replacements, substitutions, additions, and accessions to the Collateral, any proceeds of its sale or other disposition.

3. **Representations.** Debtor represents to Secured Party (and Secured Party relies on Debtor's representations) that Debtor will have full title to the Collateral and that no other person has or will purport to have any right, title, lien, encumbrance, adverse claim, or interest in the Collateral.

4. **Agreement of Debtor.**

a. **Financing Statement; Additional Documents.** Debtor shall execute any UCC Financing Statement or other document deemed by Secured Party as necessary or desirable to perfect the security interest created by this Security Agreement. In addition, at Secured Party's request, Debtor shall execute any further documents deemed by Secured Party as necessary or desirable to carry out the purposes of this Security Agreement, including, without limitation, UCC Continuation Statements. Debtor acknowledges that a copy of this Security Agreement will be recorded with the Surface Transportation Board of the U.S. Department of Transportation. If Debtor fails to execute any such additional documents following the request therefor by Secured Party, Debtor hereby names and irrevocably constitutes and appoints Secured Party, its successors and assigns, the true and lawful attorney or attorneys of Debtor, with full power of substitution, in the name of Secured Party or in the name of Debtor but on behalf of and for the benefit of Secured Party, its successors and assigns, to execute any such documents.

b. No Additional Security Interest. Debtor warrants that no financing statement or other security interest covering the Collateral is now or will be during the term of this Security Agreement on file in any public office except in favor of Secured Party, and that it will defend at its own expense the Collateral and Secured Party's security interest therein against any other claim or demand.

c. Books and Records. Debtor warrants that all books, records, and documents relating to the Collateral are and will be correct, genuine and in all respects what they purport to be.

d. Sale of Collateral Prohibited. Debtor shall not, without Secured Party's consent, exchange, sell, lease, assign, transfer, or dispose of any of the Collateral or Debtor's rights to any of the Collateral other than in the ordinary course of business; make any compromise, adjustment, amendment, modification, settlement, substitution, or termination of or in connection with the Collateral; or permit anything to be done that might impair, or fail to do anything necessary or advisable to preserve, the value of the Collateral and Secured Party's security interest in it.

e. Taxes. Debtor shall file when due all schedules, reports, returns, or other data required by local, state, or federal authorities with respect to taxes or other charges against the Collateral, shall pay when due all taxes claimed, accrued, or assessed against Debtor or the Collateral, and shall promptly satisfy and cause to be discharged and released of record any and all tax liens against Debtor or the Collateral.

5. Default Defined; Remedies of Secured Party. The following shall constitute a default by Debtor ("Default"):

a. Failure of Debtor to perform any of its obligations under the Note.

b. Breach or default of any of the provisions, warranties, or representations in this Security Agreement.

c. Commencement by or against Debtor of any proceeding under the Bankruptcy Act, or any amendment to it, the adjudging of Debtor as insolvent, the making of Debtor of an assignment for the benefit of creditors, or the levy of a writ of attachment or execution on any part of the Collateral if it is not released or satisfied within thirty (30) days, or the appointment of a receiver in any proceeding or action to which Debtor is a party, if the receiver has authority to take possession of the Collateral.

On the occurrence of any such Default, Secured Party shall have all rights provided to a secured party by law and all

rights provided to Secured Party under this Security Agreement. To the extent provided by law, Secured Party may: (i) take possession of and protect the Collateral, (ii) if Secured Party is not then in possession of the Collateral, require Debtor or another person in possession of the Collateral to make it available to Secured Party at a reasonably convenient place, to be designated by Secured Party, (iii) notify other interested persons of Debtor's Default under this Security Agreement, (iv) retain the Collateral in satisfaction of Debtor's obligations, or (v) dispose of the Collateral and apply the proceeds in total or partial satisfaction of Debtor's obligations to Secured Party and for all of Secured Party's costs and expenses (including, without limitation, reasonable attorney's fees) incurred in proceeding under this Security Agreement.

At any time a Default occurs, Secured Party may (but shall have no obligation) cure the Default for the account of Debtor, at Debtor's cost. If Secured Party at any time, by reason of a Default, is compelled to pay or elects to pay a sum of money, or to do any act that will incur the obligation to pay a sum of money, or is compelled to incur any cost, including, without limitation, reasonable attorney's fees in instituting, prosecuting, or defending any action or proceeding to enforce Secured Party's rights under this Security Agreement, the money paid by Secured Party shall be repaid to Secured Party by Debtor immediately on demand, together with interest at the rate of eighteen percent (18%) per annum, or, if such rate exceeds the maximum rate permitted by law, the maximum rate permitted by law.

6. Notices and Other Communications. All notices, consents, requests, instructions, approvals, financial statements, proxy statements, reports and other communications provided for herein shall be promptly given, if in writing and delivered personally, by telecopy or sent by registered mail, postage prepaid.

7. Notice. Any notice or other communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally (by hand or overnight delivery service) or sent by prepaid, certified or registered mail, return receipt requested, addressed to the other party at the following address:

If to Secured Party:

Helm Financial Corporation
One Embarcadero Center, Suite 3700
San Francisco, CA 94111
Attention: Chief Financial Officer
Facsimile: (415) 398-4816

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If to Debtor:

Northern Railcar Leasing
5300 North 33rd Street
Milwaukee, WI 53209-0229
Attention: President
Facsimile: (414) 438-8826

or to such other address as any party may, from time to time, designate in a written notice given in a like manner.

Any notice or other communication shall be deemed received on the earlier of the date of actual receipt or two (2) days after the date of dispatch. Any party may change its address set forth above by giving notice in accordance with the foregoing provisions.

8. **Attorney's Fees.** If any party commences an action against the other party arising out of or in connection with this Security Agreement or the rights and duties of the respective parties hereunder, the prevailing party shall be entitled to recover its reasonable attorneys fees and costs incurred in that action, as determined by the court, in addition to any other relief to which it or they may be entitled.

9. **Nonwaiver; Cumulative Remedies.** The failure at any time to require strict performance by Debtor of any of the provisions contained in this Security Agreement shall not waive, affect, or diminish Secured Party's right to demand strict compliance with and performance of each and every provision hereof at any other time. Any waiver of a Default shall not waive or affect any other Default, whether before or after the waiver, and whether of the same or of a different type. None of the provisions of this Security Agreement shall be deemed to have been waived by any act or knowledge of Secured Party, or its authorized representatives, unless the waiver is contained in a written instrument, signed by Secured Party, specifying the waiver. All rights, powers, or remedies afforded to Secured Party under this Security Agreement, the Note or by law or in equity, shall be cumulative, not alternative; the exercise of one right, power or remedy shall not bar other rights, powers, or remedies allowed under this Security Agreement, the Note or otherwise by law or in equity.

10. **Release of Security Interest.** Secured Party agrees that it shall release the security interest granted hereunder when Debtor has fully performed all the obligations of Debtor under the Note.

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11. **Successors.** This Security Agreement shall be binding on and inure to the benefit of the parties and their successors and assigns.

12. **Severability.** If any part of this Security Agreement is determined to be illegal or unenforceable, all other parts shall be given effect separately and shall not be affected.

13. **Counterparts.** This Security Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

14. **Choice of Law; Entire Agreement.** This Security Agreement shall be governed by and construed in accordance with the laws of the state of California without reference to its choice of law provisions. This Security Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, superseding any oral or other written agreement, express or implied.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the day and year first above written.

"DEBTOR"

"SECURED PARTY"

NORTHERN RAILCAR LEASING

HELM FINANCIAL CORPORATION

By: William E. Gardner

^{CM} By: John F. Dains

Name: William E. Gardner

Name: John F. Dains

Title: President

Title: Chief Financial Officer

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SCHEDULE A TO
SECURITY AGREEMENT

Description of the Units: Forty-three (43), 3600 c.f.c., 100-ton, roller bearing open top hopper railcars.

Unit Numbers:

1.	HELX 10001	23.	HELX 10101
2.	HELX 10002	24.	HELX 10102
3.	HELX 10004	25.	HELX 10105
4.	HELX 10009	26.	HELX 10106
5.	HELX 10011	27.	HELX 10110
6.	HELX 10024	28.	HELX 10127
7.	HELX 10026	29.	HELX 10129
8.	HELX 10038	30.	HELX 10131
9.	HELX 10039	31.	HELX 10133
10.	HELX 10041	32.	HELX 10134
11.	HELX 10042	33.	HELX 10138
12.	HELX 10054	34.	HELX 10143
13.	HELX 10056	35.	HELX 10147
14.	HELX 10058	36.	HELX 10168
15.	HELX 10066	37.	HELX 10178
16.	HELX 10069	38.	HELX 10188
17.	HELX 10071	39.	HELX 10191
18.	HELX 10072	40.	HELX 10197
19.	HELX 10074	41.	HELX 10205
20.	HELX 10078	42.	HELX 10206
21.	HELX 10088	43.	HELX 10214
22.	HELX 10093		

AM

STATE OF CALIFORNIA)
) S.S.
COUNTY OF SAN FRANCISCO)

On _____, 1998, before me, _____,
personally appeared Richard C. Kirchner, President of HELM FINANCIAL
CORPORATION,

— personally known to me -OR-

— proved to me on the basis of satisfactory evidence to be the
person(s) whose name(s) is/are subscribed to the within instrument
and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon
behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

[Notarial Seal]

SIGNATURE OF THE NOTARY

STATE OF WISCONSIN)
) S.S.
COUNTY OF Milwaukee)

On June 4, 1998, before me, Peggy Nolin, personally
appeared William E. Gardner, the President of
NORTHERN RAILCAR LEASING,

✓ personally known to me -OR-

— proved to me on the basis of satisfactory evidence to be the
person(s) whose name(s) is/are subscribed to the within instrument
and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon
behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

[Notarial Seal]

Peggy Nolin

SIGNATURE OF THE NOTARY

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