

RECORDATION NO. 21770 FILED

NOV 5 '98

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OF COUNSEL  
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November 5, 1998

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 Security Agreement, dated as of October 13, 1998, 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:

Grantor: Northern Rail Car Leasing, Inc.  
5300 North 33<sup>rd</sup> Street  
Milwaukee, Wisconsin 53209-8826

Secured Party: U.S. Bancorp Republic Commercial Finance, Inc.  
2338 Central Avenue NE, Suite 200  
Minneapolis, Minnesota 55418

A description of the railroad equipment covered by the enclosed document is:

set forth on Exhibit A to the Security Agreement

*Counters Parts -*

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RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Mr. Vernon A. Williams  
November 5, 1998  
Page 2

Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. Alvord", written in dark ink.

Robert W. Alvord

RWA/bg  
Enclosures

## SECURITY AGREEMENT

NOV 5 '98

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THIS SECURITY AGREEMENT, dated as of October 13, 1998 is made and given by NORTHERN RAIL CAR LEASING, INC. ("NRCL"), a Wisconsin corporation (the "Grantor"), to U. S. BANCORP REPUBLIC COMMERCIAL FINANCE, INC., a Minnesota corporation (the "Secured Party").

RECITALS

A. The Grantor and the Secured Party have entered into a Financing Agreement dated as of October 13, 1998 (as the same may hereafter be amended, supplemented, extended, restated, or otherwise modified from time to time, the "Financing Agreement") pursuant to which the Secured Party has agreed to extend to the Grantor certain credit accommodations on the terms and conditions set forth in the Financing Agreement.

B. It is a condition precedent to the extension of any credit accommodations pursuant to the terms of the Financing Agreement that this Agreement be executed and delivered by the Grantor.

C. The Grantor finds it advantageous, desirable and in its best interests to comply with the requirement that it execute and deliver this Security Agreement to the Secured Party.

NOW, THEREFORE, in consideration of the premises and in order to induce the Secured Party to enter into the Financing Agreement and to extend credit accommodations to the Grantor thereunder, the Grantor hereby agrees with the Secured Party for the Secured Party's benefit as follows:

Section 1. Defined Terms.

1(a) As used in this Agreement, the following terms shall have the meanings indicated:

"Accounts" shall mean each and every right to payment of Grantor, whether such right to payment arises out of a sale or lease of goods by Grantor, or other disposition of goods or other property of Grantor, out of a rendering of services by Grantor, out of a loan by Grantor, out of damage to or loss of goods in the possession of a railroad or other carrier or any other bailee, out of overpayment of taxes or other liabilities of Grantor, or which otherwise arises under any contract or agreement, or from any other cause, whether such right to payment now exists or hereafter arises and whether such right to payment is or is not yet earned by performance and howsoever such right to payment may be evidenced, together with all other rights and interest (including all liens and security interests) which Grantor may at any

time have by law or agreement against any account debtor (as defined in the Uniform Commercial Code in effect in the State of Minnesota) or other obligor obligated to make any such payment or against any of the property of such account debtor or other obligor; specifically (but without limitation), the term includes all present and future instruments, documents, chattel papers, accounts and contract rights of Grantor.

"Account Debtor" shall mean a Person who is obligated on or under any Account, Chattel Paper, Instrument or General Intangible.

"Chattel Paper" shall mean a writing or writings which evidence both a monetary obligation and a security interest in or lease of specific goods; when a transaction is evidenced by both a security agreement or a lease and by an Instrument or a series of Instruments, the group of writings taken together constitutes Chattel Paper.

"Collateral" shall mean all property and rights in property now owned or hereafter at any time acquired by the Grantor in or upon which a Security Interest is granted to the Secured Party by the Grantor under this Agreement.

"Document" shall mean any bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods, together with any other document or receipt which in the regular course of business or financing is treated as adequately evidencing that the Person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers.

"Equipment" shall mean all machinery, equipment, furniture, furnishings and fixtures, including all accessions, accessories and attachments thereto, and any guaranties, warranties, indemnities and other agreements of manufacturers, vendors and others with respect to such Equipment. Such Equipment includes, but is not limited to, that which is described on Exhibit A attached hereto.

"Event of Default" shall have the meaning given to such term in Section 20 hereof.

"Financing Statement" shall have the meaning given to such term in Section 4 hereof.

"General Intangibles" shall mean any personal property (other than goods, Accounts, Chattel Paper, Documents, Instruments, Inventory, Equipment, and money) including choses in action, causes of action, contract rights, corporate and other business records, inventions, designs, patents, patent applications, service marks, trademarks, trademark applications,

tradenames, trade secrets, engineering drawings, good will, registrations, copyrights, licenses, franchises, customer lists, tax refund claims, royalties, licensing and product rights, rights to the retrieval from third parties of electronically processed and recorded data and all rights to payment resulting from an order of any court.

"Instrument" shall mean a draft, check, certificate of deposit, note, bill of exchange, security or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is transferred in the ordinary course of business by delivery with any necessary endorsement or assignment.

"Inventory" shall mean any and all of the Grantor's goods, including, without limitation, goods in transit, wherever located which are or may at any time be leased by the Grantor to a lessee, held for sale or lease, furnished under any contract of service or held as raw materials, work in process, or supplies or materials used or consumed in the Grantor's business, or which are held for use in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, and all goods, the sale or other disposition of which has given rise to a Receivable, which are returned to and/or repossessed and/or stopped in transit by the Grantor or the Secured Party, or at any time hereafter in the possession or under the control of the Grantor or the Secured Party, or any agent or bailee of either thereof, and all documents of title or other documents representing the same.

"Lien" shall mean any security interest, mortgage, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device (including the interest of the lessors under capitalized leases), in, of or on any assets or properties of the Person referred to.

"Obligations" shall mean (a) all indebtedness, liabilities and obligations of the Grantor to the Secured Party of every kind, nature or description under the Financing Agreement, including the Grantor's obligation on any promissory note or notes under the Financing Agreement and any note or notes hereafter issued in substitution or replacement thereof, (b) all liabilities of the Grantor under this Agreement, and (c) any and all other liabilities and obligations of the Grantor to the Secured Party of every kind, nature and description, whether direct or indirect or hereafter acquired by the Secured Party from any Person, absolute or contingent, regardless of how such liabilities arise or by what agreement or instrument they may be evidenced, and in all of the foregoing cases whether due or to become due, and whether now existing or hereafter arising or incurred.

"Person" shall mean any individual, corporation, partnership, limited partnership, limited liability company, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"Security Interest" shall have the meaning given such term in Section 2 hereof.

1(b) All other terms used in this Agreement which are not specifically defined herein shall have the meaning assigned to such terms in the Uniform Commercial Code in effect in the State of Minnesota as of the date of this Agreement to the extent such other terms are defined therein.

1(c) Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular, the plural and "or" has the inclusive meaning represented by the phrase "and/or." The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "hereof," "herein," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections are references to Sections in this Security Agreement unless otherwise provided.

Section 2. Grant of Security Interest. As security for the payment and performance of all of the Obligations, the Grantor hereby grants to the Secured Party a security interest (the "Security Interest") in all of the Grantor's right, title, and interest in and to the following, whether now or hereafter owned, existing, arising or acquired and wherever located:

- 2(a) All Accounts.
- 2(b) All Chattel Paper.
- 2(c) All Documents.
- 2(d) All Equipment.
- 2(e) All General Intangibles.
- 2(f) All Instruments.
- 2(g) All Inventory.

2(h) To the extent not otherwise included in the foregoing, (i) all other rights to the payment of money, including rents and other sums payable to the Grantor under leases, rental agreements and other Chattel Paper and insurance proceeds; (ii) all books, correspondence, credit files, records, invoices, bills of lading, and other documents relating to any of the foregoing, including, without limitation, all tapes, cards, disks, computer software, computer runs, and other papers and documents in the possession or control of the Grantor or any computer bureau from time to time acting for the Grantor; (iii) all rights in, to and under all policies insuring the life of any officer, director, stockholder or employee of the Grantor, the proceeds of which are payable to the Grantor; and (iv) all accessions and additions to, parts and appurtenances of, substitutions for and replacements of any of the foregoing.

2(i) To the extent not otherwise included, all proceeds and products of any and all of the foregoing.

Section 3. Grantor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the Accounts, Chattel Paper, General Intangibles and other items included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Grantor from any of its duties or obligations under any items included in the Collateral, and (c) the Secured Party shall have no obligation or liability under Accounts, Chattel Paper, General Intangibles and other items included in the Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. Title to Collateral. The Grantor has (or will have at the time it acquires rights in Collateral hereafter acquired or arising) and will maintain so long as the Security Interest may remain outstanding, title to each item of Collateral (including the proceeds and products thereof), free and clear of all Liens except the Security Interest and except Liens permitted by the Financing Agreement. The Grantor will defend the Collateral against all claims or demands of all Persons (other than the Secured Party) claiming the Collateral or any interest therein. As of the date of execution of this Security Agreement, no effective financing statement or other similar document used to perfect and preserve a security interest under the laws of any jurisdiction (a "Financing Statement") covering all or any part of the Collateral is on file in any recording office, except such as may have been filed (a) in favor of the Secured Party relating to this Agreement; (b) to perfect Liens permitted by the Financing Agreement; (c) and which will be terminated pursuant to this

transaction; and (d) revealed in the UCC searches referenced in Section 3.1(d) of the Financing Agreement.

Section 5. Collateral Account. The Grantor authorizes and directs a special collateral account to be established and maintained by Secured Party (the "Collateral Account"), into which all checks, drafts, and cash payments received by the Grantor or Secured Party will be deposited. All deposits to the Collateral Account shall constitute proceeds of Collateral and shall not constitute payment of any Obligation. The Grantor agrees that it will promptly deliver to Secured Party, for deposit into said Collateral Account, all payments on Accounts and Chattel Paper received by it. All such payments shall be delivered to Secured Party in the form received (except for the Grantor's endorsement where necessary). Until so delivered, all payments on Accounts and Chattel Paper received by the Grantor shall be held in trust by the Grantor for and as the property of Secured Party and shall not be commingled with any funds or property of the Grantor.

Section 6. Collection Rights of Secured Party. Notwithstanding Secured Party's rights under Section 5 with respect to any and all Instruments, Chattel Paper, Accounts and other rights to payment constituting Collateral (including proceeds), Secured Party may, at any time (both before and after the occurrence of an Event of Default) notify any Account Debtor, or any other person obligated to pay any amount due, that such Chattel Paper, Account, or other right to payment has been assigned or transferred to Secured Party for security and shall be paid directly to Secured Party. If Secured Party so requests at any time, the Grantor will so notify such Account Debtors and other obligors in writing and will indicate on all invoices to such Account Debtors or other obligors that the amount due is payable directly to Secured Party. At any time after Secured Party or the Grantor gives such notice to an account debtor or other obligor, Secured Party may (but need not), in its own name or in the Grantor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such chattel paper, account, or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, notify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor. The Grantor hereby irrevocably makes, constitutes and appoints the Secured Party or any person whom the Secured Party may designate, the Grantor's true and lawful attorney with power to receive, open and dispose of all mail addressed to the Grantor; to endorse the Grantor's name on any notes, acceptances, checks, drafts, money orders or other means of payment that may come into the Secured Party's possession as payment of or upon Accounts, Chattel Paper or other Collateral; to endorse the Grantor's name on any invoice, freight or express bill or bill of lading relating to any Collateral; to sign the Borrower's name to drafts against Account Debtors, to assignments and verification of accounts and notices thereof to Account Debtors, and to documents of title covering any

Collateral, and to do all other things necessary or proper to carry out the intent of this Agreement.

Section 7. Disposition of Collateral. The Grantor will not sell, lease or otherwise dispose of, or discount or factor with or without recourse, any Collateral, except sales of items of Inventory in the ordinary course of business.

Section 8. Names, Offices, Locations. The Grantor does business solely under its own name and the trade names and styles, if any, set forth on Schedule I hereto. Except as noted on said Schedule, no such trade names or styles and no trademarks or other similar marks owned by the Grantor are registered with any governmental unit. The chief place of business and chief executive office and the office where it keeps its books and records concerning the Accounts and General Intangibles and the originals of all Chattel Paper, Documents and Instruments are located at its address set forth on the signature page hereof. Except for rolling stock, all items of Equipment and Inventory existing on the date of this Agreement are located in the State of Wisconsin. The Grantor will immediately notify the Secured Party of any additional state in which any item of Inventory or Equipment, except for rolling stock, is hereafter located. The Grantor will from time to time at the request of the Secured Party provide the Secured Party with current lists as to the locations of the Equipment and Inventory. Except for rolling stock, the Grantor will not permit any Inventory, Equipment, Chattel Paper or Document or any records pertaining to Accounts and General Intangibles to be located in any state or area in which, in the event of such location, a financing statement covering such Collateral would be required to be, but has not in fact been, filed in order to perfect the Security Interest. The Grantor will not change its name or the location of its chief place of business and chief executive office unless the Secured Party has been given at least 30 days' prior written notice thereof and the Grantor has executed and delivered to the Secured Party such Financing Statements and other instruments required or appropriate to continue the perfection of the Security Interest.

Section 9. Rights to Payment. Except as the Grantor may otherwise advise the Secured Party in writing, each Account, Chattel Paper, Document, General Intangible and Instrument constituting or evidencing Collateral is (or, in the case of all future Collateral, will be when arising or issued) the valid, genuine and legally enforceable obligation of the Account Debtor or other obligor named therein or in the Grantor's records pertaining thereto as being obligated to pay or perform such obligation. The Grantor will perform and comply in all material respects with all its obligations under any items included in the Collateral and exercise promptly and diligently its rights thereunder.

Section 10. Further Assurances.

10(a) The Grantor agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that the Secured Party may reasonably request, in order to perfect and protect the Security Interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral (but any failure to request or assure that the Grantor execute and deliver such instrument or documents or to take such action shall not affect or impair the validity, sufficiency or enforceability of this Agreement and the Security Interest, regardless of whether any such item was or was not executed and delivered or action taken in a similar context or on a prior occasion). Without limiting the generality of the foregoing, the Grantor will, promptly and from time to time at the request of the Secured Party: (i) mark, or permit the Secured Party to mark, conspicuously its books, records, and accounts showing or dealing with the Collateral, and each item of Chattel Paper included in the Collateral, with a legend, in form and substance satisfactory to the Secured Party, indicating that each such item of Collateral and each such item of Chattel Paper is subject to the Security Interest granted hereby; (ii) deliver and pledge to the Secured Party, all Instruments and Documents, duly indorsed or accompanied by duly executed instruments of transfer or assignment, with full recourse to the Grantor, all in form and substance satisfactory to the Secured Party; (iii) execute and file such Financing Statements or continuation statements in respect thereof, or amendments thereto, and such other instruments or notices (including fixture filings with any necessary legal descriptions as to any goods included in the Collateral which the Secured Party determines might be deemed to be fixtures, and instruments and notices with respect to vehicle titles), as may be necessary or desirable, or as the Secured Party may request, in order to perfect, preserve, and enhance the Security Interest granted or purported to be granted hereby; and (iv) obtain waivers, in form satisfactory to the Secured Party, of any claim to any Collateral from any landlords or mortgagees of any property where any Inventory or Equipment is located.

10(b) The Grantor hereby authorizes the Secured Party to file one or more Financing Statements or continuation statements in respect thereof, and amendments thereto, relating to all or any part of the Collateral without the signature of the Grantor where permitted by law. A photocopy or other reproduction of this Agreement or any Financing Statement covering the Collateral or any part thereof shall be sufficient as a Financing Statement where permitted by law.

10(c) The Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail and in form and substance reasonably satisfactory to the Secured Party.

Section 11. Taxes and Claims. The Grantor will promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest, as well as all other claims of any kind (including claims for labor, material and supplies) against or with respect to the Collateral, except to the extent (a) such taxes, charges or claims are being contested in good faith by appropriate proceedings, (b) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (c) such taxes, charges or claims are adequately reserved against on the Grantor's books in accordance with generally accepted accounting principles.

Section 12. Books and Records. The Grantor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including a record of all payments received and credits granted with respect to all Accounts, Chattel Paper and other items included in the Collateral.

Section 13. Inspection, Reports, Verifications. The Grantor will at all reasonable times permit the Secured Party or its representatives to examine or inspect any Collateral, any evidence of Collateral and the Grantor's books and records concerning the Collateral, wherever located. The Grantor will from time to time when requested by the Secured Party furnish to the Secured Party a report on its Accounts, Chattel Paper, General Intangibles and Instruments, naming the Account Debtors or other obligors thereon, the amount due and the aging thereof. The Secured Party or its designee is authorized to contact Account Debtors and other Persons obligated on any such Collateral from time to time to verify the existence, amount and/or terms of such Collateral.

Section 14. Notice of Loss. The Grantor will promptly notify the Secured Party of any loss of or material damage to any material item of Collateral or of any substantial adverse change, known to Grantor, in any material item of Collateral or the prospect of payment or performance thereof.

Section 15. Insurance. The Grantor will keep the Equipment and Inventory insured against "all risks" for the replacement cost thereof subject to a deductible in an amount, and with an insurance company or companies, satisfactory to the Secured Party, the policies to protect the Secured Party as its interests may appear, with such policies or certificates with respect thereto to be delivered to the Secured Party at its request. Each such policy or the certificate with respect thereto

shall provide that such policy shall not be cancelled or allowed to lapse unless at least 30 days prior written notice is given to the Secured Party.

Section 16. Lawful Use; Fair Labor Standards Act. The Grantor will use and keep the Collateral, and will require that others use and keep the Collateral, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. All Inventory of the Grantor as of the date of this Agreement that was produced by the Grantor or with respect to which the Grantor performed any manufacturing or assembly process was produced by the Grantor (or such manufacturing or assembly process was conducted) in compliance in all material respects with all requirements of the Fair Labor Standards Act, and all Inventory produced, manufactured or assembled by the Grantor after the date of this Agreement will be so produced, manufactured or assembled, as the case may be.

Section 17. Action by the Secured Party. If the Grantor at any time fails to perform or observe any of the foregoing agreements, the Secured Party shall have (and the Grantor hereby grants to the Secured Party) the right, power and authority (but not the duty) to perform or observe such agreement on behalf and in the name, place and stead of the Grantor (or, at the Secured Party's option, in the Secured Party's name) and to take any and all other actions which the Secured Party may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of Liens, the procurement and maintenance of insurance, the execution of assignments, security agreements and Financing Statements, and the indorsement of Instruments); and the Grantor shall thereupon pay to the Secured Party on demand the amount of all monies expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Secured Party in connection with or as a result of the performance or observance of such agreements or the taking of such action by the Secured Party, together with interest thereon from the date expended or incurred at the highest lawful rate then applicable to any of the Obligations, and all such monies expended, costs and expenses and interest thereon shall be part of the Obligations secured by the Security Interest.

Section 18. Insurance Claims. As additional security for the payment and performance of the Obligations, the Grantor hereby assigns to the Secured Party any and all monies (including proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of the Grantor with respect to, any and all policies of insurance now or at any time hereafter covering the Collateral or any evidence thereof or any business records or valuable papers pertaining thereto. At any time, whether before or after the occurrence of any Event of Default, the Secured Party may (but need not), in the Secured Party's name or in Grantor's name, execute and deliver proofs of claim, receive all such monies, indorse checks and other instruments representing payment of such monies, and adjust, litigate, compromise or release any claim against the issuer of any such

policy. Notwithstanding any of the foregoing, so long as no Event of Default exists the Grantor shall be entitled to all insurance proceeds with respect to Equipment or Inventory provided that such proceeds are applied to the cost of replacement Equipment or Inventory.

Section 19. The Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be deemed to have exercised reasonable care in the safekeeping of any Collateral in its possession if such Collateral is accorded treatment substantially equal to the safekeeping which the Secured Party accords its own property of like kind. Except for the safekeeping of any Collateral in its possession and the accounting for monies and for other properties actually received by it hereunder, the Secured Party shall have no duty, as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any Persons or any other rights pertaining to any Collateral. The Secured Party will take action in the nature of exchanges, conversions, redemptions, tenders and the like requested in writing by the Grantor with respect to the Collateral in the Secured Party's possession if the Secured Party in its reasonable judgment determines that such action will not impair the Security Interest or the value of the Collateral, but a failure of the Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care.

Section 20. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

20(a) The Grantor shall fail to make payment when due, whether upon demand, or at a scheduled due date, or otherwise, any principal of or interest on its obligations under the Financing Agreement or any other obligations of the Grantor to the Secured Party.

20(b) Any representation or warranty made by or on behalf of the Grantor in this Agreement or the Financing Agreement or by or on behalf of the Grantor in any certificate, statement, report or document herewith or hereafter furnished to the Secured Party pursuant to this Agreement or the Financing Agreement shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified.

20(c) The Grantor shall fail to comply with Sections 5.2 or 5.3 or any Section of Article VI of the Financing Agreement.

20(d) The Grantor shall fail to comply with any other agreement, covenant, condition, provision or term contained in this Agreement or the Financing Agreement (other than those hereinabove set forth in this Section 20) and such failure to comply shall continue for 30 calendar days after whichever of the following dates is the earliest: (i) the date the Grantor gives notice of such failure to the Secured Party, or (ii) the date the Secured Party gives notice of such failure to the Grantor.

20(e) The Grantor shall apply for or consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of the Grantor or for a substantial part of the property thereof or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for the Grantor or for a substantial part of the property thereof and shall not be discharged within 45 days, or the Grantor shall make an assignment for the benefit of creditors.

20(f) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against the Grantor and, if instituted against the Grantor, shall have been consented to or acquiesced in by the Grantor or shall remain undismissed for 60 days, or an order for relief shall have been entered against the Grantor.

20(g) Any dissolution or liquidation proceeding shall be instituted by or against the Grantor and, if instituted against the Grantor, shall be consented to or acquiesced in by the Grantor or shall remain for 45 days undismissed.

20(h) A judgment or judgments for the payment of money in excess of the sum of \$50,000 in the aggregate shall be rendered against the Grantor and either (i) the judgment creditor executes on such judgment or (ii) such judgment remains unpaid or undischarged for more than 60 days from the date of entry thereof or such longer period during which execution of such judgment shall be stayed during an appeal from such judgment.

20(i) Any execution or attachment shall be issued whereby any substantial part of the property of the Grantor shall be taken or attempted to be taken and the same shall not have been vacated or stayed within 30 days after the issuance thereof.

20(j) Any guarantor of any of the Obligations shall seek to revoke its, his or her guaranty or any such guaranty shall become unenforceable for any reason.

20(k) Failure of Borrower to provide to Lender, within 60 (sixty) days of the date of this Agreement, an Assignment of life insurance on the life of William E. Gardner in an amount of \$1,000,000, form and substance of which are acceptance to Lender.

20(l) Any default or event of default (however denominated or defined) shall occur with respect to any indebtedness of the Grantor (other than the Obligations) permitted under the Financing Agreement or the Subordination Agreement.

**THE FOREGOING EVENTS OF DEFAULT, AND THE REMEDIES UPON EVENT OF DEFAULT AS SET FORTH BELOW IN SECTION 21, ARE IN ADDITION TO AND SUPPLEMENT THE RIGHTS OF THE SECURED PARTY UNDER THE FINANCING AGREEMENT, INCLUDING WITHOUT LIMITATION THE RIGHT OF THE SECURED PARTY TO DEMAND PAYMENT OF THE OBLIGATIONS UNDER THE FINANCING AGREEMENT IN FULL AT ANY TIME IN ITS ABSOLUTE DISCRETION. NOTHING SET FORTH IN THIS AGREEMENT (INCLUDING THE PROVISIONS OF THIS SECTION 20 OR THE REMEDIES WITH RESPECT THERETO AS SET FORTH IN SECTION 21) SHALL IN ANY WAY LIMIT THE SECURED PARTY'S DISCRETION TO MAKE OR NOT MAKE LOANS TO THE DEBTOR OR THE SECURED PARTY'S RIGHT TO DEMAND PAYMENT OF THE OBLIGATIONS.**

Section 21. Remedies on Default. Upon the occurrence of an Event of Default and at any time thereafter:

21(a) The Secured Party may exercise and enforce any and all rights and remedies available upon default to a secured party under the Uniform Commercial Code.

21(b) The Secured Party shall have the right to enter upon and into and take possession of all or such part or parts of the properties of the Grantor, including lands, plants, buildings, Equipment, Inventory and other property as may be necessary or appropriate in the judgment of the Secured Party to permit or enable the Secured Party to manufacture, produce, process, store or sell or complete the manufacture, production, processing, storing or sale of all or any part of the Collateral, as the Secured Party may elect, and to use and operate said properties for said purposes and for such length of time as the Secured Party may deem necessary or appropriate for said purposes without the payment of any compensation to Grantor therefor. The Secured Party may require the Grantor to, and the Grantor hereby agrees that it will, at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place or places to be designated by the Secured Party.

21(c) Any sale of Collateral may be in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit, or for future delivery, and upon such other terms as the Secured Party may reasonably believe are commercially reasonable. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given, and the Secured Party may adjourn any public or private sale from time to time by announcement made at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

21(d) The Secured Party is hereby granted a license or other right to use, without charge, all of the Grantor's property, including, without limitation, all of the Grantor's labels, trademarks, copyrights, patents and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral, and the Grantor's rights under all licenses and all franchise agreements shall inure to the Secured Party's benefit until the Obligations are paid in full.

21(e) If notice to the Grantor of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given in the manner specified for the giving of notice in Section 25 hereof at least ten calendar days prior to the date of intended disposition or other action, and the Secured Party may exercise or enforce any and all other rights or remedies available by law or agreement against the Collateral, against the Grantor, or against any other Person or property.

Section 22. Application of Proceeds. All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, or then or at any time thereafter be applied in whole or in part by the Secured Party against, all or any part of the Obligations (including, without limitation, any expenses of the Secured Party payable pursuant to Section 23 hereof).

Section 23. Costs and Expenses; Indemnity. The Grantor will pay or reimburse the Secured Party on demand for all out-of-pocket expenses (including in each case all filing and recording fees and taxes and all reasonable fees and expenses of counsel and of any experts and agents) incurred by the Secured Party in connection with the creation, perfection, protection, satisfaction, foreclosure or enforcement of the Security Interest and the preparation, administration, continuance, amendment or enforcement of this Agreement, and all such costs and expenses shall be part of the Obligations secured by the Security Interest. The

Grantor shall indemnify and hold the Secured Party harmless from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) growing out of or resulting from this Agreement and the Security Interest hereby created (including enforcement of this Agreement) or the Secured Party's actions pursuant hereto, except claims, losses or liabilities resulting from the Secured Party's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction. Any liability of the Grantor to indemnify and hold the Secured Party harmless pursuant to the preceding sentence shall be part of the Obligations secured by the Security Interest. The obligations of the Grantor under this Section shall survive any termination of this Agreement.

Section 24. Waivers; Remedies; Marshalling. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by the Secured Party. A waiver so signed shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any rights and remedies available to the Secured Party. All rights and remedies of the Secured Party shall be cumulative and may be exercised singly in any order or sequence, or concurrently, at the Secured Party's option, and the exercise or enforcement of any such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. The Grantor hereby waives all requirements of law, if any, relating to the marshalling of assets which would be applicable in connection with the enforcement by the Secured Party of its remedies hereunder, absent this waiver.

Section 25. Notices. Any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed to such party at the address specified on the signature page hereof, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first business day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed.

Section 26. Grantor Acknowledgements. The Grantor hereby acknowledges that (a) it has been advised by (or has had full opportunity to avail itself of the advice of) counsel in the negotiation, execution and delivery of this Agreement, (b) the Secured Party has no fiduciary relationship to the Grantor, the relationship being solely that of debtor and creditor, and (c) no joint venture exists between the Grantor and the Secured Party.

Section 27. Continuing Security Interest; Assignments under Financing Agreement. This Agreement shall (a) create a continuing security interest in the Collateral and shall remain in full force and effect until payment in full of the Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of, and be enforceable by, the Secured Party and its successors, transferees, and assigns. Without limiting the generality of the foregoing clause (c), the Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the Financing Agreement to any other Persons to the extent and in the manner provided in the Financing Agreement and may similarly transfer all or any portion of its rights under this Security Agreement to such Persons.

Section 28. Termination of Security Interest. Upon payment in full of the Obligations, the Security Interest granted hereby shall terminate. Upon any such termination, the Secured Party will return to the Grantor such of the Collateral then in the possession of the Secured Party as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination. Any reversion or return of Collateral upon termination of this Agreement and any instruments of transfer or termination shall be at the expense of the Grantor and shall be without warranty by, or recourse on, the Secured Party. As used in this Section, "Grantor" includes any assigns of Grantor, any Person holding a subordinate security interest in any of the Collateral or whoever else may be lawfully entitled to any part of the Collateral.

Section 29. Governing Law and Construction. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE MANDATORILY GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF MINNESOTA. Whenever possible, each provision of this Agreement and any other statement, instrument or transaction contemplated hereby or relating hereto shall be interpreted in such manner as to be effective and valid under such applicable law, but, if any provision of this Agreement or any other statement, instrument or transaction contemplated hereby or relating hereto shall be held to be prohibited or invalid under such applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other statement, instrument or transaction contemplated hereby or relating hereto.

**Section 30. Consent to Jurisdiction.** AT THE OPTION OF THE SECURED PARTY, THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN HENNEPIN COUNTY; AND THE GRANTOR CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE GRANTOR COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, THE SECURED PARTY AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

**Section 31. Waiver of Notice and Hearing.** THE GRANTOR HEREBY WAIVES ALL RIGHTS TO A JUDICIAL HEARING OF ANY KIND PRIOR TO THE EXERCISE BY THE SECURED PARTY OF ITS RIGHTS TO POSSESSION OF THE COLLATERAL WITHOUT JUDICIAL PROCESS, OR OF ITS RIGHTS TO REPLEVY, ATTACH, OR LEVY UPON THE COLLATERAL WITHOUT PRIOR NOTICE OR HEARING. THE GRANTOR ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS PROVISION AND THIS AGREEMENT.

**Section 32. Waiver of Jury Trial.** EACH OF THE GRANTOR AND THE SECURED PARTY, BY ITS ACCEPTANCE OF THIS AGREEMENT, IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Section 33. Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

**Section 34. General.** All representations and warranties contained in this Agreement or in any other agreement between the Grantor and the Secured Party shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations. The Grantor waives notice of the acceptance of this Agreement by the Secured Party. Captions in this Agreement are for reference and convenience only and shall not affect the interpretation or meaning of any provision of this Agreement.

IN WITNESS WHEREOF, the Grantor has caused this Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

NORTHERN RAIL CAR LEASING, INC.

By *William E. Smith*  
Title President

Address for Grantor:  
5300 North 33rd Street  
Milwaukee, WI 53209-0229  
Fax: (414) 438-8826

Grantor's Tax ID # [      ]

Address for Secured Party :  
U.S. Bancorp Republic Commercial Finance, Inc.  
2338 Central Avenue NE, Suite 200  
Minneapolis, MN 55418  
Fax: (612) 782-1801

EXHIBIT A

|                       |             |             |
|-----------------------|-------------|-------------|
| WSOR 10-A             | WSOR 501326 | WSOR 503020 |
| WSOR 10-C             | WSOR 501327 | WSOR 503021 |
| WSOR 126              | WSOR 501328 | WSOR 503023 |
| WSOR 130              | WSOR 501329 | WSOR 503024 |
| WSOR 131              | WSOR 501330 | WSOR 503025 |
| WSOR 132              | WSOR 501331 | WSOR 503026 |
| WSOR 133              | WSOR 501332 | WSOR 503027 |
| WSOR 135              | WSOR 501333 | WSOR 503028 |
| WSOR 137              | WSOR 501334 | WSOR 503029 |
| WSOR 138              | WSOR 501335 | WSOR 503030 |
| WSOR 142              | WSOR 501336 | WSOR 503032 |
| WSOR 146              | WSOR 501337 | WSOR 503033 |
| WSOR 150              | WSOR 501338 | WSOR 503034 |
| WSOR 2001             | WSOR 501339 | WSOR 503035 |
| WSOR 201              | WSOR 501340 | WSOR 503036 |
| WSOR 301              | WSOR 501341 | WSOR 503037 |
| WSOR 3501             | WSOR 501342 | WSOR 503038 |
| WSOR 4141             | WSOR 501346 | WSOR 503039 |
| WSOR 434              | WSOR 501347 | WSOR 503040 |
| WSOR 4493             | WSOR 501348 | WSOR 503041 |
| WSOR 501301           | WSOR 501349 | WSOR 503042 |
| WSOR 501302           | WSOR 501350 | WSOR 503043 |
| WSOR 501303           | WSOR 501401 | WSOR 503044 |
| WSOR 501304           | WSOR 501402 | WSOR 503045 |
| WSOR 501305           | WSOR 503001 | WSOR 503046 |
| WSOR 501307           | WSOR 503002 | WSOR 503047 |
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| WSOR 501308           | WSOR 503005 | WSOR 503049 |
| WSOR 501309           | WSOR 503006 | WSOR 503050 |
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*WSOR 2003*

*WSOR 501343*



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

Assignment by U.S. Bancorp Republic Commercial Finance, Inc. to U.S. Bank National Association dated November 12, 1999 of all its right, title and interest granted under that certain Security Agreement by Northern Rail Car Corporation, Wisconsin and Calumet Railroad Company, Inc. and Wisconsin & Southern Railroad Co. (collectively, the "Debtors"), with Recordation No. 20170, covering seventy-three 50' 6" 70-ton box cars of Wisconsin & Southern Railroad Co.

Very truly yours,



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U.S. Bancorp Republic Commercial  
Finance, Inc.