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## SECURITY AGREEMENT

This Security Agreement ("Agreement") is entered into on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by \_\_\_\_\_ (the "Debtor") and \_\_\_\_\_ (the "Secured Party").

Debtor is incorporated or organized under the laws of the State of \_\_\_\_\_ or is a partnership or individual debtor having an address of \_\_\_\_\_.

Debtor owes Secured Party the principal sum of \_\_\_\_\_ Dollars (U.S. \$ \_\_\_\_\_). That sum, plus interest on it, plus any other amount incurred under this Agreement will be referred to as the "Indebtedness". Debtor has signed a promissory note (or other evidence of indebtedness) dated \_\_\_\_\_, 20\_\_\_\_\_, (the "Note") for the Indebtedness. Payment of the Indebtedness is due, in full, on or before the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**GRANT OF SECURITY INTEREST:** Debtor grants to Secured Party a continuing security interest in the Collateral (as identified below), to secure the timely payment of the Indebtedness, as it may be renewed, extended or modified, and to secure Debtor's timely and full performance of Debtor's warranties, covenants and agreements made in this Agreement. If Debtor initials here \_\_\_\_\_ the security interest will extend to Collateral to secure future obligations of Debtor to Secured Party and future advances by Secured Party to Debtor.

**COLLATERAL:** \_\_\_\_\_ The Collateral is set forth below, or is described in a schedule or list signed by Debtor and made a part of this Agreement by being attached to it.

\_\_\_\_\_ The Collateral is all of Debtor's property that consists of the following types of property identified by Debtor's initials placed by the type (s). If there are no initials and this provision applies to identify Collateral, the Collateral shall be deemed to consist of all of the types of property.

\_\_\_\_ Accounts      \_\_\_\_ Equipment      \_\_\_\_ Farm Products      \_\_\_\_ General Intangibles  
\_\_\_\_ Inventory      \_\_\_\_ Instruments      \_\_\_\_ Specific Collateral (see Item 7)

Debtor's property, which is the Collateral, may be property either presently owned by Debtor or acquired by Debtor in the future.

If Debtor will acquire the Collateral with the proceeds of the Indebtedness, Debtor will notify Secured Party with sufficient detail to identify the transaction; and Secured Party may disburse such proceeds to the seller of the Collateral.

Collateral subject to this Agreement includes all proceeds from it. Among such proceeds are stock rights, subscription rights, dividends (either cash or stock, or both), and all cash, accounts, chattel paper and general intangibles arising from the sale, rental, lease, casualty loss, or other disposition of the Collateral, regardless of where the Collateral is located, whether in possession of Debtor by having been returned to Debtor or having been repossessed by Debtor or having been stopped in transit by Debtor.

Where Collateral is in the possession of Secured Party, Debtor agrees to deliver to Secured Party all property which is an increase in Collateral or profits or proceeds from it.

The Types of Property included in the Collateral have the following definitions and provisions:

1. "Accounts" shall mean: (a) accounts as that term is defined in the Indiana Uniform Commercial Code ("UCC"), and (b) letters of credit and drafts under them given in support of Accounts Receivable.
2. "Inventory" shall mean inventory as that term is defined in the Indiana UCC. Without limiting the security interest granted, Inventory is currently located at \_\_\_\_\_.
3. "Equipment" shall mean equipment as that term is defined in the Indiana UCC. Without limiting the security interest granted, Equipment is currently located at \_\_\_\_\_.
4. "Instruments" shall mean instruments as that term is defined in the Indiana UCC.
5. "Farm Products" shall mean farm products as that term is defined in the Indiana UCC. If this Agreement covers Farm Products, Debtor will provide Secured Party a written list of the buyers, commission merchants or selling agents to or through whom Debtor may sell the Farm Products, in a form acceptable to Secured Party. Debtor will keep this list current by notice to Secured Party at least seven (7) days prior to any sale. In this paragraph the terms "buyers", "commission merchants" and "selling agents" have the meanings given to them in the Federal Food Security Act of 1985, as amended. Without limiting the security interest granted, farm products are currently located at \_\_\_\_\_.
6. "General Intangibles" shall mean general intangibles as that term is defined in the Indiana UCC. .
7. "Specific Collateral" shall consist of the following: \_\_\_\_\_  
\_\_\_\_\_ and all accessions, parts, attachments, accessories, additions, substitutions, replacements, appurtenances, and their related rights. Without limiting the security interest granted, Specific Collateral is currently located at \_\_\_\_\_  
\_\_\_\_\_.

**WARRANTIES AND COVENANTS:** Debtor warrants and covenants to Secured Party that:

1. **PAYMENT OF INDEBTEDNESS.** Debtor shall pay, when due, all sums payable under the Indebtedness, including (but not being limited to) principal, interest or other charges in the instrument of indebtedness.
2. **APPLICATION OF SUMS.** Unless applicable law or other provisions of this Agreement or the Indebtedness provide otherwise, all payments received by Secured Party shall be applied in the following order: first, to costs incurred by Secured Party as a result of Debtor's default under this Agreement or the Indebtedness; second, to late charges or other charges provided by the Indebtedness; third, to interest; and last, to principal; in each case, when due.
3. **OWNERSHIP AND DEFENSE OF COLLATERAL.** Debtor shall become the owner of the Collateral free from any liens, encumbrances or security interests, except for the security interest granted herein and any security interests and any existing liens disclosed to and accepted by Secured Party as follows: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.
4. **INSURANCE.** At its own expense, Debtor shall maintain comprehensive casualty insurance on the Collateral against such risks, in such amounts, with such deductibles and with such companies as may be satisfactory to Secured Party. Each insurance policy shall contain a lender's loss payable endorsement satisfactory to Secured Party and a prohibition against cancellation or amendment of the policy or removal of Secured Party as loss payee without at least thirty (30) days prior written notice to Secured Party. In all events, the amounts of such insurance coverage shall conform to

prudent business practices and shall be in such minimum amounts that Debtor will not be deemed as co-insurer.

5. **PRESERVATION, MAINTENANCE AND LOCATION OF COLLATERAL.** Debtor shall:

- 5.1 Not permit impairment or deterioration of the Collateral;
- 5.2 Not abandon the Collateral;
- 5.3 Not sell or move the Collateral, except in the ordinary course of business;
- 5.4 Replace, restore or repair promptly, and in a good and workmanlike manner, all or any part of the Collateral to the equivalent of its original condition, or such other condition as Secured Party may approve in writing, in the event of any damage, injury or loss to the Collateral, whether or not insurance proceeds are available to cover the whole or any part of the costs of replacement, restoration or repair;
- 5.5 Keep the Collateral in good repair and shall replace it when necessary to keep it in good repair;
- 5.6 Comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Collateral; and
- 5.7 Unless otherwise agreed to in writing by Secured Party, keep the Collateral in the location[s] stated previously, and provide the Secured Party written notice of any proposed change in location[s] of the Collateral.

6. **MAINTENANCE OF PROPER ADDRESS AND/OR NOTICE.** Debtor shall not change its state of incorporation, organization or the location of its principal executive office without the prior written consent of Secured Party, which consent will not be unreasonably withheld. Debtor shall give Secured Party a minimum notice required by Indiana UCC.

7. **PROTECTION OF SECURED PARTY'S RIGHTS IN COLLATERAL.**

- 7.1 If Debtor fails to perform any warranty, covenant or agreement contained in this Agreement, or if a legal proceeding may significantly affect Secured Party's rights in the Collateral (such as proceeding in bankruptcy, in probate, for condemnation, or to enforce laws or regulations), then Secured Party may do and pay for Collateral, including paying items which are Debtor's obligations under this Agreement or the Indebtedness. Secured Party's actions may include paying any sums secured by a prior lien, appearing in court, paying reasonable attorneys' fees, paying hazard insurance premiums and taking possession of the Collateral. Although Secured Party may take action under this Section 7, Secured Party is not required to do so.
- 7.2 Any amounts paid or disbursed by Secured Party under this Section 7 shall become part of the Indebtedness. Unless Debtor and Secured Party agree in writing otherwise, these amounts shall bear interest from the date of disbursement at the rate specified in the Note and shall be payable, with interest, upon demand from Secured Party.

8. **INSPECTION.** Secured Party, or its agent, shall have the right to inspect the Collateral at all reasonable times and reasonable places. Secured Party shall give Debtor notice of the inspection, specifying reasonable cause for the inspection, and the time and place inspection is to be made.

9. **NOTICES.**

- 9.1 Any notice, designation, consent, approval, offer, acceptance, statement, request, or other communication ("Notice"), required or allowed under Indiana law or this Agreement, shall be in writing and shall be given to a party at the address stated by Secured Party, or at such other address as a party may designate in a Notice to the other party.
- 9.2 Notice shall be deemed given when:
  - 9.2.1 Personal service of the Notice is made on the party to be notified;
  - 9.2.2 The Notice is mailed to the party to be notified by means of first class certified U.S. mail, return receipt requested, postage prepaid; or
  - 9.2.3 The Notice is sent to the party to be notified by express courier guaranteeing next day delivery; and

- 9.3 Notice shall be deemed given on date personal service or mailing regardless of whether the notice was claimed or accepted.
10. **TRANSFER OF THE COLLATERAL.** If all or any part of the Collateral or any interest in it is sold or transferred without Secured Party's prior written consent, Secured Party may, at its option and without giving Debtor prior Notice, demand immediate payment in full of the indebtedness.
11. **EVENT OF DEFAULT; NOTICE OF DEFAULT; ACCELERATION; REMEDIES; REINSTATEMENT RIGHTS; AND JOINT LIABILITY.**
- 11.1 Event of Default. For the purpose of this Agreement, the term "Event of Default" shall mean any of the following:
- 11.1.1 The making by Debtor of any false or inaccurate warranty or representation in this Agreement, the Indebtedness or any document related to them;
  - 11.1.2 Debtor's breach of any warranty made in this Agreement;
  - 11.1.3 Debtor's failure to observe or comply with any provision or covenant in this Agreement, the Indebtedness or any document related to them;
  - 11.1.4 Debtor's failure to pay the Indebtedness;
  - 11.1.5 The dissolution or, if a natural person, the death of Debtor;
  - 11.1.6 The attachment of any security interest against the Collateral except for those already noted herein;
  - 11.1.7 Unless otherwise agreed to in writing by Secured Party, Debtor's change of its location of principal office or collateral;
  - 11.1.8 Any assignment by Debtor for the benefit of creditors, insolvency of Debtor, or the entry of any judgment against, Debtor; or
  - 11.1.9 Secured Party deems itself insure.
- 11.2 Notice of Default. Secured Party shall give Notice to Debtor prior to acceleration following an Event of Default (but not prior to acceleration under Section 10 unless applicable law provides otherwise). The Notice shall specify:
- 11.2.1 The Event of Default;
  - 11.2.2 The action required to cure the Event of Default;
  - 11.2.3 A date, not less than fifteen (15) days from the date the Notice is given to Debtor, by which the Event of Default must be cured; and
  - 11.2.4 That failure to cure the Event of Default on or before the date specified in the Notice may result in acceleration of the Indebtedness and foreclosure of this Agreement by judicial proceedings.
- 11.3 Acceleration; Remedies. If an Event of Default is not cured on or before the date specified in the Notice, Secured Party, at its option, shall have the following remedies, which are cumulative and are not mutually exclusive:
- 11.3.1 Secured Party may require immediate payment in full of all sums secured by this Agreement;
  - 11.3.2 Secured Party may:
    - (a) Require Debtor to assemble the Collateral and make it available to Secured Party at a place, to be designated by Secured Party, which is reasonably convenient to both parties; or
    - (b) Take possession of the Collateral.
- Further, with the agreement of Debtor and with notice of sale as prescribed by Indiana UCC, may sell and dispose of the Collateral and distribute the proceeds according to law. In connection with Code, may sell and dispose of the Collateral and distribute the proceeds according to law. In connection with the right of Secured Party to take possession of the Collateral, Secured Party may take possession of any other items of property in or on the Collateral at the time of taking possession, and hold them for Debtor without liability on the part of Secured Party. If there is any statutory requirement for notice before such taking, that requirement shall be met if Secured Party sends notice to Debtor at least ten (10) days prior to the date of sale, disposition or other event giving rise to the required notice. Debtor shall be liable for any deficiency remaining after disposition of the Collateral; and
- 11.3.3 Secured Party may collect its costs incurred in pursuing its remedies, such costs to include but not

limited to, reasonable attorneys' fees, and expenses of title.

- 11.4 **Joint Liability.** If Debtor consists of more than one (1) person, each person who is a Debtor shall be jointly and severally liable and bound under this Agreement.
12. **DEBTOR NOT RELEASED; FORBEARANCE BY SECURED PARTY NOT A WAIVER.** Any forbearance, delay or prior waiver by Secured Party in exercising any right or remedy under this Agreement or the Indebtedness shall not be a waiver, or preclude the exercise, of any right or remedy.
13. **RELEASE.** Upon payment or satisfaction of the Indebtedness to Secured Party, Secured Party shall provide and file, at its cost, any and all necessary documents to release and terminate the security interest granted in the Collateral by this Agreement.
14. **AUTHORITY TO SIGN.** Each person signing this Agreement in a representative capacity on behalf of Debtor warrants and represents to Secured Party that:
  - 14.1 The person so signing has the actual authority and power to sign and to bind Debtor to this Agreement; and
  - 14.2 All corporate action necessary on the part of Debtor for the validity of this Agreement has been duly taken.
15. **MISCELLANEOUS.**
  - 15.1 **Governing Law.** This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance, or otherwise, by the laws of the State of Indiana.
  - 15.2 **Headings.** Headings are included solely for convenience and in no event shall affect, or be used in connection with, the interpretation of this Agreement.
  - 15.3 **Time of Essence.** Time is of the essence in this Agreement.
  - 15.4 **Computation of Time.** In computing a time period prescribed in this Agreement, the day of the act or event shall not be counted. All subsequent days, including intervening weekend days and holidays, shall be counted in the period. The last day of the period so computed is to be included, unless it is a weekend day or a legal holiday under Indiana Law, in which case the period is to be extended to the next day that is not a weekend day or legal holiday.
  - 15.5 **Successors and Assigns Bound.** All terms of this Agreement and the Indebtedness shall be jointly and severally binding upon Debtor and upon each and all of Debtor's successors in ownership of the Collateral, as well as upon all heirs and legal representatives of Debtor.
  - 15.6 **References.** All references to the Indiana UCC are to IND. CODE § 26-1 et seq, as amended from time to time.
  - 15.7 **Severability.** A conflict of any provision in this Agreement or in the Indebtedness with applicable law shall not affect other provisions which can be given effect without the conflicting provision. To this end, the provisions of this Agreement and the Indebtedness are declared to be severable.
  - 15.8 **Documentation of Interest.** Debtor shall cooperate and sign, upon presentment, any and all documents necessary for Secured Party to perfect, establish and/or maintain its security interest in the Collateral. Debtor authorizes Secured Party to execute and file on behalf of Debtor, any and all necessary documents (including, but not limited to, financing and continuation statements, notices to third parties, amendments and supplements to such documents). Debtor shall pay any and all applicable filing or recording fees and expenses for such documents.
  - 15.9 **Possession of Title or Collateral.** Secured Party has the right to possess and continue to possess any Collateral or certificate of title of Collateral for which possession is necessary for the perfection of the security interest granted in this Agreement. Debtor shall deliver or cause to be delivered to Secured Party any such Collateral or certificate of title to the Collateral with the security interest of Secured Party noted thereon.
  - 15.10 **Perfection, Continuation, Termination.** The perfection, continuation and/or termination of Security Interest may require additional instruments, documents and/or notices which Secured Party or Debtor may need to file and/or record in specific public offices. To perfect a purchase money security interest, Secured Party must file a

financing statement within the time and at the place required by Indiana law. Certain types of Collateral or certificates of title must be possessed by Secured Party in order to perfect the Security Interest.

15.11 Failure of Secured Party to Sign. Failure of the Secured Party to sign the acknowledgment does not waive any right that is granted to Secured Party herein.

16. **ADDITIONAL COVENANTS.**

**BY SIGNING BELOW**, Debtor accepts and agrees to the terms and covenants contained in this Security Agreement and any rider(s) executed by Debtor and recorded with it, and Debtor acknowledges receipt of a conformed copy of this Security Agreement.

**INDIVIDUALS; SOLE PROPRIETORSHIP**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed/Typed Name)

\_\_\_\_\_  
(Printed/Typed Name)

**CORPORATIONS; PARTNERSHIPS; AND ALL OTHER ORGANIZATIONS**

\_\_\_\_\_  
(NAME OF ORGANIZATION)

\_\_\_\_\_  
(NAME OF ORGANIZATION)

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(Printed/Typed Name)

\_\_\_\_\_  
(Printed/Typed Name)

**BY SIGNING BELOW**, Secured Party accepts and agrees to the terms and covenants contained in this Security Agreement and any rider(s) executed by the parties.

**INDIVIDUALS; SOLE PROPRIETORSHIP**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed/Typed Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed/Typed Name)

**CORPORATIONS; PARTNERSHIPS; AND ALL OTHER ORGANIZATIONS**

\_\_\_\_\_  
(NAME OF ORGANIZATION)

By: \_\_\_\_\_

\_\_\_\_\_  
(Printed/Typed Name)

\_\_\_\_\_  
(NAME OF ORGANIZATION)

By: \_\_\_\_\_

\_\_\_\_\_  
(Printed/Typed Name)



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I affirm, under the penalties for perjury, that I have taken reasonable care to redact each Social Security number in this document, unless required by law.

\_\_\_\_\_