

SECURITY AGREEMENT

Security agreement made as of _____ [Date], between XYZ, Inc., a _____ corporation ("XYZ"), and ABC Corporation, a _____ corporation ("ABC").

ARTICLE I.

Definitions

- 1.1. "Buildings" shall mean the buildings and improvements located on the land.
- 1.2. "Collateral" shall have the meaning set forth in Section 2.1 of this Agreement.
- 1.3. "Goods" shall mean all personal property (including equipment, inventory and fixtures) wherever located which, on [Date] _____, was located on the land or in the buildings, including, without limitation, the property described in Exhibit A attached here.
- 1.4. "Indebtedness" shall have the meaning set forth in Section 2.2 of this Agreement.
- 1.5. "Land" shall mean the land described in Exhibit B attached here.
- 1.6. "Note" shall mean the promissory note in the original principal amount of \$_____ to be executed and delivered by ABC to XYZ in accordance with Section 6.2 of the purchase agreement.
- 1.7. "Purchase Agreement" shall mean the purchase agreement made as of _____ [Date], between XYZ and ABC.
- 1.8. "Trustees" shall mean _____ Bank of _____ and _____, trustees under the indenture.
- 1.9. All other capitalized terms shall have the meanings such terms have in the purchase agreement.

ARTICLE II.

Security Interest

- 2.1. ABC for value received and pursuant to Chapter _____, Article _____ of _____ Compiled Laws grants to XYZ a security interest in the goods and also in (i) all additions, attachments, accessions, accessories, parts and equipment now or subsequently affixed to the goods and all replacements, substitutions and renewals of the goods and (ii) all products and proceeds (including insurance proceeds) of all the foregoing ("Collateral").
- 2.2. The security interest granted here secures the payment of all amounts now or hereafter due to XYZ under the note and all other liabilities of ABC to XYZ set forth here and in the mortgage or arising out of the surviving covenants ("Indebtedness").

ARTICLE III.

Care and Custody of the Collateral

ABC covenants, with respect to the collateral, as follows:

3.1. The collateral will be kept at the facility. Except as provided in Article V, ABC will not remove any portion of the collateral from the facility without the prior written consent of XYZ.

3.2. ABC agrees that it will not attach the collateral or any portion of it to real property other than the land and the buildings in any way which might make it a fixture. ABC will not permit the collateral or any part of it to become accessions to other property which is not subject to this security agreement or the mortgage.

3.3. Except as provided in Articles V and VII, ABC will not sell, offer to sell, lease, offer to lease or otherwise transfer the collateral or any interest in it without the prior written consent of XYZ.

3.4. ABC will keep the collateral insured for the benefit of XYZ against "All Risks" of physical loss or damage under a policy or policies of insurance in form and amount and with companies approved by XYZ, with loss payable to XYZ pursuant to a mortgagee clause, without contribution, satisfactory to XYZ, and providing for _____ days' notice of cancellation, expiration or modification of the insurance in any manner adverse to the interests of XYZ. ABC shall deliver to XYZ a certificate or certificates of insurance evidencing the coverage required here. In the event ABC defaults in so insuring the collateral, XYZ may, at its option, effect such insurance from year to year and pay the premiums and ABC will reimburse XYZ for any premiums so paid, with interest at _____ percent per year from the time of payment, on demand, and the same shall be secured by this security agreement. Such insurance may be provided by a separate policy covering the collateral only or a blanket policy or policies covering the collateral and other property. If XYZ, by reason of such insurance receives any money for loss or damage to collateral, such amount may, at the option of ABC, be retained and applied by XYZ toward payment of the moneys secured by this security agreement or be paid over wholly or in part to ABC for the repair or replacement of the collateral or for any other purpose or object satisfactory to XYZ, but XYZ shall not be obliged to see to the proper application of any amount paid over to ABC.

3.5. ABC will keep the collateral free from any lien, security interest or encumbrance, other than:

- (a) liens for taxes not due and payable or being contested in good faith;
- (b) a lien, security interest or encumbrance junior in priority to that of XYZ;
- (c) the lien of the trustees under the indenture; and
- (d) the mortgage.

ABC will keep the collateral in good order and repair and will not waste or destroy the collateral. ABC will not use the collateral in violation of any statute or ordinance.

3.6. ABC will promptly pay when due all taxes and assessments upon the collateral or its use, except when such taxes or assessments are being contested in good faith.

3.7. So long as ABC shall not be in default under this agreement, it may have possession of the collateral and use it in any lawful manner not inconsistent with this agreement or any policy of insurance on it.

3.8. XYZ or its agents or attorneys may at any and all reasonable times inspect the collateral and may enter upon any and all premises where the same is kept or might be located during regular business hours, upon _____ hours' prior notice to ABC. ABC shall allow XYZ to examine, inspect and make abstracts from, or copy, any of ABC's books and records relating to the care, custody and maintenance of the collateral, including plant property records and fixed asset listings, or to the value of any proposed substitute collateral, including purchase agreements, purchase orders, invoices and other documents.

ARTICLE IV.

Loss or Damage

4.1. ABC shall notify XYZ of any loss of or damage to the collateral (other than damage in accordance with and contemplated by construction activities permitted by this agreement) within _____ days of the occurrence of such loss or damage.

4.2. In the event of loss of or damage to the collateral which is not covered by insurance, ABC, at its option, shall (i) promptly repair or replace such collateral; (ii) pay to XYZ an amount equal to the decrease in value of the collateral resulting from such loss or damage, and such amount shall be applied on the Note in accordance with the provisions of it; or (iii) grant XYZ a security interest in substitute collateral with value equal to the decrease in value of the collateral resulting from such loss or damage. If an uninsured event of loss or damage occurs to the collateral, ABC shall notify XYZ within _____ days of the date of such loss or damage of the option for restoring the value of the collateral which ABC has elected. If ABC elects to provide substitute collateral, it shall do so in accordance with the provisions of Article VI of this Agreement.

4.3. Loss of or damage to the collateral shall not release ABC from its obligations under this agreement. Except to the extent covered by insurance, repairs to the collateral shall be at the expense of ABC. All repairs to the collateral shall constitute component parts of the collateral, subject to the terms of this agreement.

ARTICLE V.

Substitution of Collateral

5.1. Notwithstanding anything contained here to the contrary and so long as no event of default has occurred and is continuing, ABC may alter, repair, damage, destroy, sell or dispose of, free from the security interest granted here, portions of the collateral and of the buildings with an aggregate value of up to \$_____; provided, however, that ABC shall promptly after the close of each calendar quarter grant XYZ a security interest in substitute collateral having a value equal to or greater than the value of any collateral and buildings so altered, damaged, destroyed, sold or disposed.

5.2. The parties acknowledge that, during the term of this agreement, ABC will reduce the outstanding principal amount due in respect of the collateral. The parties agree that, so long as no event of default under this Agreement has occurred and is continuing, ABC may alter, repair, damage, destroy, sell or dispose of, free from the security interest granted here, portions of the collateral with an aggregate value up to the amount by which the outstanding principal amount due in respect of the collateral shall have been reduced prior to the time of such alteration, repair, damage, destruction, sale or disposal, without granting XYZ a security interest in any additional or substitute collateral.

5.3. So long as no event of default under this agreement shall have occurred and be continuing, ABC may alter, repair, damage, destroy, sell or dispose of portions of the collateral which have value in excess of that permitted by Sections 5.1 and 5.2 of this agreement; provided, however, that prior to or contemporaneously with such alteration, repair, damage, destruction, sale or disposal, ABC shall grant XYZ a security interest in substitute collateral having a value equal to or greater than the amount by which the value of the portions of the collateral being altered, repaired, damaged, destroyed, sold or disposed exceeds the amounts permitted by Sections 5.1 and 5.2.

5.4. The parties agree that the value of any item of the collateral for the purpose of Articles IV and V of this agreement shall be the gross book value of such item.

5.5. ABC shall provide XYZ with all necessary financing statements, subordination agreements, waivers and other documents necessary to cause XYZ's security interest in all substitute collateral and all replacement collateral acquired in accordance with Article IV of this agreement to have priority at least as favorable as the priority of XYZ's security interest in the collateral on the date of this agreement. ABC shall supply any financing statement, subordination agreement, waiver or other document which requires filing within a reasonable time prior to the time any such document is required to be filed.

5.6. All substitute and replacement collateral shall be kept free and clear of all liens and security interests other than that of XYZ and liens permitted by Section 3.5 of this agreement. ABC shall provide XYZ with notice of all purchase money security interests filed with respect to personal property sold to ABC and located at the facility.

ARTICLE VI.

Substitution and Replacement of Collateral

6.1. In the event that ABC is required or elects to propose substitute or replacement collateral in satisfaction of its obligations under this agreement, at the time ABC advises XYZ of the identity of the proposed substitute or replacement collateral, it also shall advise XYZ of:

- (a) the identity and ABC's estimation of the value of the collateral which will be replaced or for which the proposed collateral will substitute; and
- (b) the source, manufacturer, cost or purchase price, date of purchase and ABC's estimation of the value of the proposed substitute or replacement collateral.

6.2. If XYZ should not concur in ABC's valuation of the collateral which will be replaced or substituted for or if XYZ should not concur in ABC's valuation of the proposed substitute or replacement collateral, it shall notify ABC of such disagreement within _____ days of the date on which it was given the information required by Section 6.1 of this agreement.

6.3. In the event that there is a disagreement concerning valuation, XYZ and ABC agree to hold discussions in a good-faith effort to resolve such disagreement.

6.4. In the event that ABC and XYZ are unable to agree on the amount by which the collateral will be or has been reduced in value by ABC's activities or on the value of any proposed substitute or replacement collateral within _____ days of the date on which XYZ notifies ABC of any such disagreement, such disagreement shall be submitted to binding arbitration in accordance with the rules of the American Arbitration Association. The costs of such arbitration shall be shared equally by the parties. The

determination rendered by the arbitrator shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE VII.

Reconveyance of the Collateral

7.1. ABC agrees that if it should enter into a sale and leaseback of the collateral or any portion of it, it shall do so pursuant to a transaction consistent with and subject to this agreement, the note and XYZ's rights of recourse.

7.2. XYZ agrees that, if requested by ABC as part of a lease arrangement, it will release from the lien of its security interest the tax attributes (including investment tax credits and depreciation) in respect of the personal property in accordance with applicable release provisions. ABC acknowledges that XYZ's release of such tax attributes will have the effect of reducing the security value of the item of the Personal Property so released by an amount less than _____ percent of the value of that item of the personal property. Accordingly, ABC agrees that it shall grant to XYZ a security interest in such additional personal property as is necessary to compensate XYZ for the reduction of the value of its security interest caused by its release of the tax attributes as provided here. Any security interest granted by ABC pursuant to this section shall have priority which is at least as favorable as the priority of XYZ's security interest in the property with respect to which XYZ grants the aforementioned release.

ARTICLE VIII.

Warranties and Representations of ABC

ABC represents and warrants to XYZ that:

8.1. Schedule 1 attached here is a true and complete listing of all financing statements covering property of ABC filed in the state of _____ which are currently in effect and which contain clauses which would or might subject the collateral here to the security interest of the secured party named in such financing statement. Except for the interest of the United States of America and the interests of the creditors identified on Schedule 1, the collateral will not be subject to any security interest of any of ABC's creditors.

8.2. ABC has obtained and delivered to XYZ a waiver and subordination agreement in form satisfactory to XYZ from each of the secured parties identified on Schedule 1, other than the trustees, which might or would have otherwise obtained a security interest in the collateral.

8.3. All the representations and warranties set forth in Article XIV of the purchase agreement are true in all material respects in accordance with their terms on the date of this agreement.

ARTICLE IX.

Default

9.1. The following events shall constitute events of default on the part of ABC.

a. The failure of ABC to pay the indebtedness or any portion of it when due and failure to cure such default within _____ days after notice.

b. Levy, seizure or attachment of or on the collateral and the failure of ABC to replace such collateral in the manner provided in Article V.

c. The failure of any representation or warranty set forth in Article VIII of this agreement to have been true in all material respects when made.

d. The breach by ABC of any term or condition set forth in Sections 3.1, 3.3, 3.4, 3.5, 3.6, 5.1, 5.5 and 5.6 of this agreement and failure to cure such breach within _____ days of the receipt of written notice or to commence to cure and to diligently continue attempting to cure such breach, if it cannot reasonably be cured within _____ days.

e. The material breach by ABC of any other term or condition of this Agreement or of any of the surviving covenants and failure to cure such breach within _____ days of receipt of written notice or to commence to cure and to diligently continue attempting to cure such breach, if it cannot reasonably be cured within _____ days.

f. The occurrence of an event of default by ABC under the mortgage.

9.2. If an event of default shall occur and for so long as such event of default may continue after expiration of any notice and cure period with respect to such default provided in Section 9.1, XYZ shall have the right to declare the entire unpaid balance of the indebtedness immediately due and payable; enter the facility and, without breach of the peace, take possession of the collateral; and exercise any or all the rights on default possessed by a secured party under Chapter _____ of _____ Compiled Laws. XYZ may require ABC to assemble the collateral and make the collateral available to XYZ at a place designated by XYZ.

9.3. ABC shall pay all costs and expenses incurred in enforcing the remedies of XYZ under this agreement, including reasonable attorneys' fees and all advances made by XYZ to protect its security interest under this agreement, including advances made for or on account of levies, liens, insurance, repairs, taxes and maintenance or recovery of the collateral.

9.4. The proceeds of any sale or other disposition of collateral authorized by this agreement shall be applied by XYZ first upon all expenses authorized by Chapter _____, Article _____ of _____ Compiled Laws and all reasonable attorneys' fees and legal expenses incurred by XYZ; the balance of the proceeds of such sale or other disposition shall be applied in the payment of the indebtedness, first to interest, then to principal, and the surplus, if any, shall be paid over to ABC or to such other person or persons as may be entitled to it under applicable law.

9.5. If ABC should fail to pay any portion of the purchase price of the goods or if ABC should default in the performance of any of its other obligations under this agreement, the parties agree that XYZ shall have recourse against ABC with respect to such payment or other obligation.

ARTICLE X.

Miscellaneous

10.1. This agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of Chapter _____, Article _____ of _____ Compiled Laws.

10.2. Any indebtedness owing from XYZ to ABC can be set off and applied by XYZ on any Indebtedness at any time and from time to time after the indebtedness has matured.

10.3. In the event that any mandatory requirement of applicable law shall obligate XYZ to give prior notice to ABC of any action to be taken under this agreement, ABC agrees that a written notice given at least _____ days before the date of any such act shall be deemed to be reasonable notice of such act and, specifically, reasonable notification of the time after which any private sale, lease or other disposition intended to be made under this agreement is to be made, unless a shorter notice period is reasonable under the circumstances.

10.4. A reproduction of this agreement shall be sufficient as a financing statement under Chapter _____, Article _____ of _____ Compiled Laws and may be filed by XYZ as such in any filing office.

10.5. ABC warrants and represents to XYZ that ABC's chief executive office is located in the county of _____, state of _____, and that the mailing address of such chief executive office is as set forth in Section 10.13.

10.6. All representations, warranties, covenants, acknowledgements and agreements contained in this agreement shall survive the termination of this Agreement and shall be binding upon and inure to the benefit of the parties here and their successors and assigns.

10.7. If any provision of this agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained here shall not in any way be affected or impaired, it being specifically agreed that the provisions of this agreement are separate and severable.

10.8. Any waiver of any breach or failure to enforce any of the terms or conditions of this agreement shall not in any way affect, limit or waive XYZ's right at any subsequent time to enforce strict compliance with every term or condition of this agreement. All rights and remedies provided here or allowed by law or equity shall be cumulative.

10.9. Time is of the essence of all covenants, obligations and agreements contained in this agreement.

10.10. This agreement and the rights of the parties here shall be governed by and construed in accordance with the laws of the state of _____.

10.11. The headings and captions contained here are inserted for convenient reference only and shall not limit or construe the sections to which they apply or otherwise affect the interpretation of this agreement.

10.12. Neither XYZ nor ABC shall assign any rights or obligations under this agreement without the prior written consent of the other and, if such consent is granted, such assignment may be made in compliance therewith and not otherwise; provided, however, that XYZ consents to the assignment by ABC of this agreement to the trustees, to the extent that this agreement is deemed to be a material commercial

agreement, as defined in the indenture. This agreement contains the entire agreement and understanding of the parties in respect of the subject matter and all prior negotiations, understandings, representations and warranties are merged here and superseded. This agreement may not be amended, modified or discharged, nor may any of its terms be waived, except by an instrument in writing signed by the party to be bound by it.

10.13. Any notice given under this agreement shall be in writing and may be either personally delivered or transmitted by postage prepaid mail to the parties at the addresses listed below. All notices and other communications shall be deemed to have been given on the date of receipt. Either party may change its address for purposes here by notice given to the other party.

Notices shall be directed to the following addresses:

If to XYZ: _____

If to ABC: _____

In witness, etc.