

SECURITY AGREEMENT

This Security Agreement ("Agreement") is entered into as of this [__]th day of [_____, 20__] by and between **[Borrower]**, a [_____] who has a mailing address of [_____] (hereinafter referred to as "Pledgor"), and SUFFOLK COUNTY ECONOMIC DEVELOPMENT CORPORATION, a New York nonprofit corporation, who has a mailing address of 100 Veterans Memorial Highway, Hauppauge, New York 11788 (hereinafter referred to as "Secured Party").

ARTICLE I

Creation of Security Interest

1.01 Secured Debt. Pledgor hereby gives, grants, transfers, assigns, and conveys to Secured Party a security interest in the Collateral described in Article II of this Agreement to secure performance and payment of all indebtedness and obligations of Pledgor to Secured Party, of whatsoever kind, direct or contingent, whensoever and howsoever created or incurred, owing, or to be and become owing to Secured Party including without limitation, that certain promissory note dated of even date herewith in the original principal amount of \$[_____] executed by Pledgor and payable to Secured Party (the "Secured Debt").

ARTICLE II

Description of Collateral

2.01 Collateral. The Collateral (herein so called) of this Agreement is all assets of Pledgor, whether now owned or hereafter acquired, and all products and proceeds thereof, including but not limited to all of Pledgor's property described as follows:

- (a) All present and future accounts, contract rights, chattel paper, documents, instruments, trademarks, trade names, and general intangibles, whether now owned or hereafter acquired by the Pledgor, Pledgor's interest in the goods represented thereby, all returned, reclaimed or repossessed goods with respect thereto;
- (b) All of Pledgor's inventory, all goods, merchandise or other personal property held by Pledgor for sale or lease, all raw materials, work or goods in process or materials or supplies of every nature, whether now owned or hereafter acquired by Pledgor, and wherever located;
- (c) All equipment, machinery, furniture, fixtures, tools and other tangible personal property of the Pledgor wherever located, whether now owned or hereafter acquired by the Pledgor;
- (d) all books, records, guaranties, securities, warranties, and all other property relating to or referring to any of the foregoing; and

- (e) any and all substitutions, replacements, accessions, attachments, products and proceeds of the foregoing, in any form (including without limitation, all claims for loss or damage to or destruction of any of the foregoing, accounts, chattel paper and insurance proceeds).

ARTICLE III

Representations, Warranties, Covenants, and Agreements of the Pledgor

Pledgor represents, warrants, covenants, and agrees that:

3.01 Financial Information. All information supplied and statements made by Pledgor in any financial, credit or accounting statement, or application for credit prior to, contemporaneously with, or subsequent to the execution of this Agreement fairly present the financial condition and results of operations of Pledgor and are consistently applied for all periods reflected therein.

3.02 Other Liens. There is no lien, security interest, or encumbrance in or on the Collateral, and except for Permitted Liens, as of the date hereof, there are no Financing Statements covering the Collateral or its proceeds on file in any public office.

3.03 Principal Office. Pledgor's chief place of business is the address shown at the beginning of this Agreement. The office where Pledgor keeps its records concerning the Collateral is also the address shown at the beginning of this Agreement. Pledgor will notify Secured Party in writing of any change or discontinuance of its address as shown at the beginning of this Agreement.

3.04 Possession. The Collateral shall remain in Pledgor's possession or control at all times at Pledgor's risk of loss and shall be available to Secured Party to inspect at any reasonable time.

3.05 Receipt of Proceeds. All proceeds in the form of cash and negotiable instruments for the payment of money received by Pledgor in payment of any of the Collateral will be held in trust for Secured Party and upon written request of Secured Party, following an Event of Default with respect to the Secured Debt, Pledgor shall promptly pay to Secured Party for application upon the Secured Debt.

3.06 Validity. All investment securities, instruments, chattel paper, and any like property delivered to Secured Party as Collateral (a) are genuine, free from adverse claims or other security interests, default, prepayment or defenses; (b) all persons appearing to be obligated thereon have, to Pledgor's knowledge, the authority and capacity to contract and are bound thereon as they appear to be from the face thereof; and (c) the same comply with applicable laws concerning form, content and manner of preparation and execution.

3.07 Use. Until default, Pledgor may use the Collateral in any lawful manner not inconsistent with this Agreement or with the terms or conditions of any policy of insurance

thereon and may also sell the Collateral in the ordinary course of business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt. Until default, Pledgor may also use and consume any raw materials or supplies, the use and consumption of which are necessary to carry on Pledgor's business.

3.08 Assessments. Pledgor shall pay prior to delinquency all taxes, charges, liens, and assessments against the Collateral, and upon Pledgor's failure to do so, Secured Party at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Such payment shall become part of the Secured Debt and shall be paid to Secured Party by Pledgor upon demand.

3.09 Insurance. Pledgor shall keep its insurable properties adequately insured at all times against all material risks and shall maintain insurance with financially responsible and reputable insurance companies or associations in such amounts and against such risks as is customarily maintained by companies of established reputations engaged in the same or a similar business and similarly situated. Pledgor shall name Secured Party as co-loss payee on each of said insurance policies, to the extent of its security interests in said property and furnish Secured Party evidence of such insurance immediately upon request, which insurance shall be in form and content satisfactory to Secured Party.

3.10 Transfer. Except for the sale of inventory in the ordinary course of business, the Collateral will not be sold, transferred or disposed of by Pledgor or be subjected to any unpaid charge, including rent and taxes, or to any subsequent interest of a third person except Permitted Liens unless Secured Party consents in advance in writing to such sale, transfer, disposition, charge, or subsequent interest.

3.11 Other Acts. Pledgor will, at its own expense, do, make, procure, execute, and deliver all acts, things, writings, and assurances as Secured Party may at any time reasonably request to protect, assure, or enforce its interests, rights, and remedies created by, provided in, or emanating from this Agreement.

3.12 Duty of Secured Party. Secured Party shall not be responsible in any way for any depreciation in the value of the Collateral, nor shall any duty or responsibility whatsoever rest upon Secured Party to take necessary steps to preserve rights against prior parties or to enforce collection of the Collateral by legal proceedings or otherwise, the sole duty of Secured Party, its successors and assigns, being to receive collections, remittances and payments on such Collateral as and when made and received by Secured Party, and at Secured Party's option, applying the amount or amounts so received, after deduction of any collection costs incurred, as payment upon any indebtedness of Pledgor to Secured Party pursuant to the provisions of this Agreement, or holding the same for the account and order of Pledgor.

3.13 Waivers. The Pledgor expressly waives (1) surrender, release, exchange, substitution, dealing with or taking any additional Collateral, (2) abstaining from taking advantage of or realizing upon any security interest of the Collateral and (3) any impairment of Collateral including, but not limited to, failure to perfect a security interest in the Collateral.

3.14 Attachment. The Pledgor will not attach or affix, either in whole or in part, any of the Collateral to the real estate or other personal property so as to allow the Collateral to become fixtures.

3.15 Notice to Account Pledgor. Upon written notice to Pledgor, following an Event of Default with respect to the Secured Debt, Secured Party may notify or require Pledgor to notify account debtors obligated on any or all of Pledgor's accounts to make payment directly to Secured Party, and may take possession of all proceeds of any accounts in Pledgor's possession.

3.16 Collection of Accounts. Following an Event of Default with respect to the Secured Debt, Secured Party may take any steps which Secured Party deems necessary or advisable to collect any or all accounts, proceeds or other Collateral, or to sell, transfer, compromise, discharge or extend the whole or any part of the accounts, proceeds or other Collateral, and apply the proceeds thereof to the Secured Debt. In protecting, exercising or assuring its interests, rights and remedies under this Agreement, Secured Party may receive, open and dispose of mail addressed to Pledgor and execute, sign and endorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, shipment or storage for any form of Collateral or proceeds on behalf of and in the name of Pledgor.

3.17 Subrogation. Secured Party may subrogate to all of Pledgor's interests, rights and remedies in respect to any account.

ARTICLE IV **Events of Default**

4.01 Events of Default. Pledgor shall be in default under this Agreement upon the happening of any of the following events or conditions (herein called an "Event of Default"):

(a) Failure by any Obligated Party to pay any principal of or interest on the Secured Debt (or any renewal, substitution, extension, modification or rearrangement thereof or therefor) when due or declared due and such failure continues beyond any applicable grace or cure period; or,

(b) Any representation or warranty made by Pledgor or any other Obligated Party in this Agreement, the Secured Debt or any other Loan Document, or in any certificate or financial or other statement furnished by Pledgor or any other Obligated Party to Secured Party is untrue in any material respect as of the date made or furnished; or,

(c) A default in the observance or performance of any of the covenants, conditions, terms, or agreements of this Agreement or any Loan Document and such failure continues beyond any applicable grace or cure period; or,

(d) Pledgor or any other Obligated Party is not paying any of its indebtedness as the same becomes due (other than indebtedness being actively contested in good faith)

or any indebtedness (other than Secured Debt) becomes due by its terms and remains unpaid or is or may be declared to be due and payable prior to its expressed maturity by reason of any default by Pledgor or any other Obligated Party in the performance or observance of any obligation or condition or in connection with the breach of any warranty or representation; or,

(e) An event of default shall occur under any of the Loan Documents; or,

(f) Filing by Pledgor of a voluntary petition or any answer seeking reorganization, arrangement or readjustment of its debts or for any other relief under any applicable bankruptcy act or law, or under any other insolvency act or law, now or hereafter existing, or any action by Pledgor consenting to, approving of, or acquiescing in, any such petition or proceeding; the application by Pledgor for, or the appointment by consent or acquiescence of, a receiver or trustee for Pledgor or for all or a substantial part of its properties; the making by Pledgor of an assignment for the benefit of creditors; or the inability of Pledgor or the admission by Pledgor, in writing, of its inability, to pay its debts as they mature (the term "acquiescence" as used in this paragraph (f) shall mean the failure to file a petition or motion in opposition to such petition or proceeding or to vacate or discharge any order, judgment or decree providing for such appointment within five (5) days after the appointment of a receiver or trustee); or,

(g) Filing of an involuntary petition against Pledgor in bankruptcy seeking reorganization, arrangement or readjustment of its debts or for any other relief under any applicable bankruptcy act or law, or under any other insolvency act or law, now or hereafter existing, and such petition remains undismissed or unanswered for a period of thirty (30) days from such filing, or the involuntary appointment of a receiver or trustee for Pledgor or for all or a substantial part of its property, and such appointment remains unvacated for a period of thirty (30) days or unopposed for a period of thirty (30) days after such appointment; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of Pledgor and such warrant remains unbonded or undismissed for a period of thirty (30) days after notice to Pledgor of its issuance; or,

(h) Final judgment for the payment of money in an amount that is at least \$250,000 greater than any applicable insurance coverage is rendered against Pledgor and the same shall remain undischarged for a period during which execution shall not be effectively stayed; or,

(i) The occurrence of any substantial impairment of the value of any collateral or security furnished, provided and delivered pursuant to the Loan Documents, or an event occurs which has a material adverse effect on the financial condition or operation of any Obligated Party, or the Secured Party in good faith deems itself insecure.

ARTICLE V
Secured Party's Rights and Remedies

5.01 Rights in Event of Default. Upon the occurrence of an Event of Default, and at any time thereafter, Secured Party:

(a) may declare all obligations secured hereby immediately due and payable (which amount shall include expenses of retaking, holding, preparing for sale, selling, or the like and reasonable attorneys' fees);

(b) shall have the rights and remedies of a Secured Party under the Uniform Commercial Code of New York, including, without limitation thereto, the right to sell, lease, or otherwise dispose of any or all of the Collateral and the right to take possession of the Collateral, and for that purpose Secured Party may enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom;

(c) may require Pledgor 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;

(d) will, unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, send Pledgor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other disposition thereof is to be made (the requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, to Pledgor at the address designated at the beginning of this Agreement at least five (5) business days before the time of the sale or disposition).

5.02 Waiver of Default. Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

5.03 Cumulative Results. The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided for herein shall not be construed as a waiver of any of the other remedies of Secured Party.

ARTICLE VI
Additional Agreements

6.01 Definitions.

(a) The term "Pledgor" and "Secured Party" as used in this Agreement shall be construed as singular or plural to correspond with the number of persons executing this Agreement as such. The pronouns used in this Agreement are in the masculine gender but shall be construed as feminine or neuter as occasion may require.

(b) "Permitted Liens" shall mean (i) liens for purchase-money security interests, (ii) with the consent of Secured Party, liens securing the subordinated debt of the Pledgor which are subordinate to the Secured Party, (iii) liens for taxes which have accrued but are not yet due and owing, and (iv) liens for the security interest granted in this Agreement.

(c) "Loan Documents" shall mean all documents and instruments executed in connection with or to secure or guarantee the Secured Debt, including without limitation, all security agreements, guaranty agreements, deeds of trust, and loan or credit agreements.

(d) "Obligated Party(ies)" shall mean any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party or any other person or entity now or hereafter primarily or secondarily liable upon or for payment of all or any part of the principal or interest of the Secured Debt.

6.02 Headings. The section headings appearing in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this Agreement. Terms used in this Agreement which are defined in the New York Uniform Commercial Code are used with the meanings as therein defined.

6.03 Governing Law. The law governing this secured transaction shall be that of the State of New York except to the extent federal law controls.

6.04 Assignment. The Secured Party's rights under this Agreement or the Secured Debt may be assigned from time to time, and in any such case the assignee shall be entitled to all of the rights, privileges, and remedies granted in this Agreement to Secured Party, and Pledgor will assert no claims or defenses it may have against Secured Party against the assignee, except those granted in this Agreement.

6.05 **FINAL AGREEMENT**. **THIS AGREEMENT, AND ALL OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH, REPRESENT THE FINAL AND ENTIRE AGREEMENT BETWEEN THE PARTIES, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, SUBSEQUENT OR CONTEMPORANEOUS ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENT BETWEEN THE PARTIES.**

[Signature page follows]

IN WITNESS WHEREOF, Pledgor has caused this Security Agreement to be duly executed as of the date first written above.

PLEDGOR:

[_____] [Borrower], a

By: _____

Name:

Title: