

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made and entered into this ____ day of _____ 20__, by and between _____, a Kentucky

_____, _____ ("Borrower"), and **KENTUCKY HOUSING CORPORATION**, a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky, 1231 Louisville Road, Frankfort, Franklin County, Kentucky 40601 ("KHC").

IT IS AGREED BY THE PARTIES:

(A) Grant of security interest

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Borrower, and to secure (1) the payment by Borrower of all indebtedness and liabilities arising under or evidenced by, and the performance of all covenants undertaken by Borrower in connection with, any note, funding agreement, or other document or instrument executed and delivered by Borrower to KHC in connection with the execution and delivery of this Agreement, and all renewals, extensions, amendments, substitutions, and replacements thereof and thereto (the "Loan Documents"); (2) all other or additional indebtedness, liabilities, and obligations of Borrower to KHC, whether now in existence or hereafter created, arising, or acquired; (3) all costs incurred by KHC to obtain, preserve, perfect, and enforce the security interest granted herein and to maintain and preserve the collateral described on Exhibit A attached hereto and made a part hereof, including without limitation reasonable attorneys' fees and legal expenses; and (4) the performance by Borrower of Borrower's obligations to KHC hereunder, Borrower hereby pledges, assigns, transfers, and grants to KHC a continuing security interest in all of the property and assets listed on Exhibit A to this Agreement, together with all additions, income, rents, substitutions and proceeds pertaining to said property and its assets (collectively, the "Collateral").

(B) Representations, warranties and covenants of Borrower

Borrower represents, warrants, and covenants to KHC that:

(1) Borrower has full right, power, and authority to enter into this Agreement and to perform the obligations secured hereby;

(2) Borrower is the owner of the Collateral, free from all liens and security interests as of the date hereof, except the lien and security interest created by this Agreement;

(3) Borrower will not sell, assign, transfer, or otherwise dispose of Borrower's interest in the Collateral without the prior written consent of KHC;

(4) Borrower will not create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to the Collateral other than the lien and security interest created by this Agreement;

(5) the Collateral is presently located or will be located and will at all times until Borrower's obligations to KHC under this Agreement are fully performed be located on or at the Project (as defined in Exhibit A hereto) or Borrower's place of business as set forth above, except for temporary removal in the ordinary course of Borrower's business;

(6) Borrower will insure the Collateral at Borrower's expense against such risks, in such amounts, and with such insurers as KHC may request, and such insurance shall name KHC as a loss payee and provide that such policies may not be canceled or modified except upon at least 30 days' prior written notice from the insurer to KHC;

(7) Borrower will maintain the Collateral in good condition and repair, reasonable wear and tear excepted; and

(8) Borrower will take, from time to time at Borrower's expense, any further action, including without limitation the execution of any further documents, that may be necessary or desirable or that KHC may request in order to perfect and protect the security interest created by this Agreement.

(C) Default and remedies

If any default occurs in the payment or performance of the Loan Documents, this Agreement, or any other document executed by Borrower in connection therewith or herewith, or if any representation or warranty made therein or herein by Borrower shall prove untrue or materially misleading, then the same shall constitute a default under this Agreement. Upon any such default, KHC shall have all of the rights and remedies of a secured party under the Uniform Commercial Code of Kentucky and all such other rights and remedies available at law or in equity. The waiver of any default hereunder shall not constitute a waiver of any subsequent default. Upon any such default, Borrower shall pay the reasonable attorneys' fees and legal expenses of KHC incurred in enforcing or attempting to enforce any of KHC's rights hereunder.

(D) Binding effect

This Agreement shall bind Borrower and its successors and assigns and shall inure to the benefit of KHC and its successors and assigns.

(E) Governing law

The laws of the Commonwealth of Kentucky shall govern the construction of this Agreement and the rights, remedies, and duties of the parties hereto.

IN WITNESS WHEREOF, Borrower and KHC have executed this Agreement as of the date first above written.

KENTUCKY HOUSING CORPORATION

BY: _____

TITLE: _____

(_____Insert Borrower Name_____)

BY: _____

TITLE: _____