

## **SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** is made and entered into this \_\_\_ day of \_\_\_\_\_ 20\_\_\_, by and between [*Insert Borrower*], a Kentucky [*choice of organization*] corporation, [*corporate address*] (“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 (“Loan Documents”); (2) all other or additional indebtedness, liabilities, and obligations of debtor 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 attorney 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 the 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 at the project site in \_\_\_\_\_ County, Kentucky described in the Mortgage of even date herewith from Borrower to KHC except for temporary removal in the ordinary course of Borrower's business;

(6) Borrower will, if requested by KHC, 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 an insured 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 or any subsequent default. Upon any such default, debtor shall pay the reasonable attorney 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]**

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

**EXHIBIT A**  
**TO**  
**SECURITY AGREEMENT**

1. All machinery, apparatus, office equipment, telephone systems, equipment, fittings, fixtures, furnishings, operating equipment, now or hereafter located in the project sites in \_\_\_\_\_, Kentucky described in the Mortgage of even date herewith from Borrower to KHC ("Project"), and used or usable in connection with any present or future operation of the Project ("Collateral") and now owned or hereafter acquired by Borrower, including but without limiting the generality of the foregoing, all heating, lighting, signs, incinerating and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire-prevention, fire-extinguishing, refrigerating, ventilating, and communications apparatus, air-cooling and air-conditioning apparatus, snow removal and lawn care equipment, shades, awnings, screens, storm doors, and windows, attached cabinets, partitions, ducts and compressors, flooring, carpets and drapes, appliances; and all the right, title and interest of Borrower in and to any equipment which may be subject to any title retention or security agreement superior to the security interest of this Agreement; it being understood and agreed that all equipment is part and parcel of the Project and appropriated to the use of the Project and, whether affixed or annexed or not, shall, for the purposes of this Agreement, be deemed conclusively to be conveyed hereby.

2. All building materials of Borrower located on the Project.

3. All rents, issues, and profits due or to become due to Borrower from or pertaining to the Project.

4. All rights of Borrower under any policy or policies of insurance covering the Collateral, and all proceeds, loss payments, and premium refunds which may become payable with respect to such insurance policies.

5. All rights of Borrower under any construction, service, engineering, consulting, architectural and other similar contracts as such may be modified, amended or supplemented from time to time, concerning the decisions, construction, management, operation, occupancy, use, and/or disposition of any or all of the Property.

6. All rights of Borrower to any architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, engineering or environmental reports and similar materials relating to any or all of the Project.

7. All rights of Borrower to any payment and performance bonds or guarantees and any and all modifications and extensions thereof relating to the Project.

8. All rights of Borrower to any governmental permissions, environmental clearances, authority to subdivide the property, rights, licenses and permits as are necessary for the commencement, continuation, completion, occupancy, use and disposition of any or all of the Project.

9. All rights of Borrower to any reserves, deferred payments, deposits, refunds, cost savings and payments of any kind relating to the construction, operations, occupancy, use and disposition of any or all of the Project.

10. All rights of Borrower to any proceeds of any commitment by any lender to extend financing relating to the Project.

This instrument covers proceeds and products, renewals and replacements of the above whether now owned or hereafter acquired, all of which may be referred to as "Collateral" and is being executed simultaneously with a Mortgage covering the Property. This instrument shall not be construed as evidence of any intention on the part of Borrower or KHC that any items covered by both said Mortgage and this Agreement be personal property. It being the specific intention of the parties that all items now or hereafter installed in or affixed to the Project be for all purposes a part of the realty.