

SECURITY AGREEMENT

This Security Agreement ("Agreement") is made _____ 200___, between [name of Debtor]

("Debtor") and McIntosh Laboratory, Inc. ("Creditor") for good and valuable consideration, receipt of which is hereby acknowledged.

1. DEBTOR'S WARRANTIES AND REPRESENTATIONS.

Debtor makes the following warranties and representations to Creditor:

(a) Debtor is a _____ [type of legal entity], registered under the laws of the state of _____, identification/organization number (in any) _____, in good standing with its principal place of business at _____ [insert Debtor address]. If Debtor is a sole proprietor, Debtor's principal residence is: _____ [insert address of Debtor's personal residence].

(b) The exact legal name of Debtor is _____, and Debtor uses no other names or marks, and has no other locations, unless listed on Exhibit A attached hereto.

(c) Debtor owns the Collateral, free from all liens, security interests, or encumbrances, except as shown on Exhibit A hereto, and Debtor will defend the Collateral against all claims and demands not so shown.

(d) The security interest given herein shall include a purchase money priority security interest.

2. SECURITY INTERESTS.

(a) Debtor hereby grants Creditor a continuing purchase money security interest in all of Debtor's inventory and equipment sold or distributed to Debtor by Creditor, wherever located, now owned or hereinafter acquired and all proceeds therefrom, to secure the payment of Debtor's indebtedness to Creditor. The parties intend by this grant of purchase money security interest that each item of inventory and equipment shall secure both its own cost and any other indebtedness as permitted under Article 9 of the Uniform Commercial Code as now enacted in this jurisdiction, or in force at any relevant time.

(b) In addition to the security interest granted in section 2(a) above, Debtor hereby grants Creditor a continuing security interest in all inventory and equipment manufactured, distributed or sold by, or bearing a trademark of Creditor, wherever located, now owned or hereafter acquired, all proceeds therefrom, including without limitation all accounts, sale of accounts, contract rights, instruments, chattel paper, documents deposit accounts, supporting obligations of every nature, rights to payment of money; insurance refund claims and all other insurance claims and proceeds, electronic chattel, and general intangibles and other rights to payment of every kind, and all of Debtor's books and records and all recorded data of any kind or nature, regardless of the medium of recording, including, without limitation, all software, writings, plans, specifications and schematics concerning the foregoing, and all proceeds, products, additions and accessions to any of the foregoing in sections 2(a) and 2(b) to secure the payment and performance of all of Debtor's obligations and indebtedness to Creditor, regardless of the form of such obligations and indebtedness, arising at any time under this Agreement or otherwise, together with interest thereon and any renewals or extensions thereof, and whether such indebtedness and obligations are from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred.

(c) The collateral described in sections 2(a) and 2(b) above is hereinafter collectively referred to as the "Collateral" and the indebtedness and obligations secured by the Collateral are hereinafter collectively referred to as the "Indebtedness."

(d) The Debtor acknowledges and agrees that, with respect to any term used herein that is defined in either Article 9 of the Uniform Commercial Code in force in the jurisdiction in which this security agreement is signed, when it is signed, or Article 9 in force at any relevant time or jurisdiction relating to the collateral, the meaning to be given with respect to any particular item of property shall be that under the more encompassing of the two definitions. The Debtor further acknowledges that this security agreement is intended to, and covers, all assets of the Debtor described in sections 2(a) and 2(b) and that Creditor may file a financing statement which so states. Debtor hereby ratifies, authorizes and authenticates any acts taken by Creditor which occurred prior to the execution of this agreement for the filing of an initial financing statement, in lieu of financing statement or any other financing statement.

3. DEBTOR'S COVENANTS.

Debtor covenants and agrees with Creditor as follows:

(a) Debtor shall notify Creditor immediately in writing if Debtor: (i) changes or adds a name or mark to its business; (ii) changes in any respect the form under which its business is operated; (iii) changes or adds a business location; or (iv) changes its state of incorporation or registration, or if Debtor is a sole proprietor, Debtor changes his/her principal residence.

(b) Debtor shall keep its books and records for the Collateral at its principal place of business, and will keep the Collateral only at locations identified in this Agreement or in Exhibit A. Debtor shall not move such books and records, or the Collateral, without written consent, except for Collateral sold in the ordinary course of Debtor's business.

(c) Debtor shall keep the Collateral free of unpaid charges, liens, security interests, and encumbrances (except those listed in Exhibit A or granted to Creditor) and shall pay when due all taxes and assessments with respect to the Collateral or its use or operation.

(d) Creditor shall have the right to inspect and make an inventory of the Collateral, and to examine Debtor's books and records concerning the Collateral at all reasonable times and wherever located.

(e) Debtor shall obtain and maintain coverage insuring the Collateral against fire, theft, and extended coverage risks ordinarily included in similar policies, all subject to Creditor's approval, with proceeds payable to Debtor and to Creditor as their interests may appear. All policies shall require at least fifteen (15) calendar days' written notice to Creditor before any material change or cancellation. Debtor shall give Creditor a certificate or a copy of each such policy within thirty (30) calendar days after the date of this Agreement.

(f) Debtor shall notify Creditor within five calendar days if Debtor becomes involved in any new claim or dispute, or in any litigation or other proceeding before any court, tribunal, or similar body, in which any potential recovery from Debtor may exceed \$10,000.

(g) Debtor shall not merge, consolidate, or acquire all or substantially all of the assets of any other person or entity without written notice to Creditor.

(h) Within then (10) calendar days after any written request from Creditor, Debtor shall give Creditor (i) a detailed report in form acceptable to Creditor, of the Collateral on hand, or (ii) a current financial statement of Debtor, or both, as Creditor may request.

(i) Debtor and Creditor agree that all payments received by Creditor for payment of any of the Indebtedness shall be applied to the oldest portion of the Indebtedness, whether evidenced by invoices or otherwise, unless otherwise applied by Creditor.

4. DEBTOR DEFAULT.

Any of the following shall be an event of Debtor default under this Agreement:

(a) Failure of Debtor to pay any Indebtedness when due.

(b) Failure of Debtor to perform any obligation under this Agreement and/or any other agreement with or in favor of Creditor.

(c) Making false statements to Creditor, or withholding any information with the intent to deceive Creditor.

(d) Loss, theft, damage or destruction, levy, seizure, or attachment of any of the Collateral, unless such Collateral is either (i) fully covered by insurance, or (ii) replaced as Collateral by property of equal or greater value, or unless (iii) any such levy, seizure, or attachment is released or dissolved within three days after it is made.

(e) A change in the financial or other condition of Debtor or the Collateral such that in Creditor's opinion Creditor's risks are increased or the value or security of the Collateral is impaired.

(f) Debtor's dissolution or termination of existence, or insolvency of Debtor; or Debtor's inability to pay its debts as they mature; or the appointment of a receiver of any property of Debtor; or Debtor's filing of a voluntary petition in bankruptcy; or the adjudication of Debtor as a bankrupt; or any transfer, without prior written consent by Creditor, of a substantial part of Debtor's property.

5. CREDITOR'S REMEDIES.

Upon any Debtor default, Creditor at its option and without demand or notice to Debtor, may have any one or more of the following remedies, plus other remedies available under applicable law:

- (a) Declare all Indebtedness due and payable, with interest thereon, from the date of default until paid, at the rate of ten percent (10%) per annum or the maximum rate permitted by law, whichever is less, unless a different rate is required by any applicable instrument.
- (b) Take possession of the Collateral wherever located; and Debtor hereby authorizes Creditor to enter upon Debtor's premises and remove the Collateral. Upon Creditor's request, Debtor shall assemble the Collateral and make it available to Creditor at any place designated by Creditor which is reasonably convenient to both parties.
- (c) Sell or otherwise dispose of the Collateral at public or private, sale, whether or not Collateral is present at the sale, on such terms and in such manner as Creditor may determine in compliance with the applicable Uniform Commercial Code (hereinafter referred to as the Code) and Debtor expressly agrees that reasonable notice of the time and place of the sale shall be ten (10) calendar days. Creditor may purchase at any such sale and may exercise any and all remedies it may have under the Code, and shall have the absolute right to apply proceeds of the sale against the Indebtedness or any part thereof, as and in such order as Creditor may direct.
- (d) Make demand for, and Debtor promptly shall deliver to Creditor, in kind, the proceeds of any sale or other disposition of Collateral; and Creditor shall have the right to notify any or all account Debtors of Debtor of Creditor's security interest, and to require remittance directly to Creditor of all sums due Debtor, and Debtor hereby authorizes Creditor, in its sole and absolute discretion, to compromise and settle any claims of the Debtor against third persons in a commercially reasonable manner, and to endorse Debtor's name on any instruments received in payment of an account.
- (e) If a default hereunder also is a default under any other agreement between Debtor and Creditor, then Creditor shall have the right to pursue its remedies under such agreement and under this Agreement, successively or concurrently, or otherwise as Creditor may determine, and Creditor shall not thereby be stopped or prevented from pursuing any other remedy it may have under such agreement, or under this Agreement, or by law.
- (f) Make demand for, and Debtor promptly shall pay to Creditor any deficiency if proceeds of any sale or other disposition of Collateral are insufficient to satisfy the Indebtedness; and, in addition, Debtor shall reimburse Creditor upon demand for all costs and expenses incurred by Creditor in retaking, holding, and preparing the Collateral for disposition, and in the sale or other disposition, and for all attorneys' fees, legal costs and expenses, and collection fees incurred by Creditor in the exercise of its rights and remedies under this Agreement and in the collection of Indebtedness. All such costs and expenses also shall be Indebtedness, secured under this Agreement.

6. GENERAL.

(a) Debtor hereby authorizes Creditor to prepare and/or file and/or add additional information as it becomes available, or otherwise transmit any and all records, including but not limited to writings or other written documents, if applicable, which Creditor in its sole discretion shall deem necessary to create and perfect a security interest consistent with this Security Agreement or with any future grant of a security interest authenticated by Debtor, (such authentication can be by any medium, written or unwritten, including but not limited to telephone, electronic transmission or a writing) including but not limited to a security agreement, initial financing statement, financing statement, in lieu of financing statement, amendments and continuation statements, by any means authorized by law, whether such law is currently in effect or becomes effective after the execution hereof, including electronic filing. Debtor understands and agrees that by executing this agreement, Debtor has hereby authenticated (as that term is defined in the applicable commercial code) this agreement as a record and authorizes Creditor to (1) prepare and file such record(s) without the signature of Debtor, (2) file such writing bearing any general, generic or supergeneric description of the collateral authorized by the applicable code and (3) file any future records which shall hereby be deemed authenticated (as defined in the applicable commercial code) by Debtor.

(b) All notices shall be in writing and delivered personally or by certified mail, postage prepaid, to the other party at the following addresses:

To Creditor: Credit Manager
 McIntosh Laboratory, Inc.
 2 Chambers St.
 Binghamton NY 13903-2699

To Debtor:

or other address given by notice, and shall be effective when delivered personally or as shown on the receipt, or if none, 48 hours after deposit in the mails.

(c) This Agreement shall inure to the benefit of and shall bind each of the parties and their respective heirs, representatives, successors, and assigns; but Debtor shall not assign any interest or obligation herein without prior written consent of Creditor.

(d) If any provision hereof is held to be invalid, the other provisions shall remain enforceable unless deletion of the invalid material will defeat the essential purposes of the parties as expressed herein.

(e) The terms of this Agreement are intended by the parties as the complete, final, and exclusive statement of their agreement as to the matters described herein, and may not be contradicted by evidence of any prior or contemporaneous oral or written agreement.

(f) If two or more parties are referred to herein as Debtor, they shall be jointly and severally liable under this Agreement, and the liability of each shall not be affected as to a party by the termination or release of any party or security of or from any other party.

(g) This Agreement and all transactions contemplated herein or resulting herefrom shall be governed by and construed in accordance with _____ [insert applicable state] law.

Executed as of the date first given above.

CREDITOR

DEBTOR

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT "A"

Security Agreement dated _____, 200__

Debtor:

Other Debtor Names or Marks:

- 1. _____
- 2. _____
- 3. _____
- 4. _____

Other Debtor Locations:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____

Liens, Security Interests, or Encumbrances on Collateral:

- 1. _____
- 2. _____
- 3. _____

Note: If none, write "NONE." Attach additional sheets if necessary.