

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is entered into as of this 20th day of March, 2012, by and between the **CITY OF CLINTON, OKLAHOMA**, (the "City") and the **CLINTON INDUSTRIAL AUTHORITY**, an Oklahoma public trust (the "Secured Party").

WHEREAS, the Secured Party has agreed to issue its promissory note entitled "Loan Agreement" in the aggregate principal amount of \$4,000,000 (the "Series 2012 Revenue Note"), with said promissory note being dated of even date herewith, and being purchased by the City (referred to herein as the "Note Purchaser"), the proceeds of which are being used by the Secured Party for (i) the construction of a new Fire Department and renovation of the current Police Department ("the"Project) as authorized by City Ordinance 934, pursuant to Ordinance 934, of the Clinton City Council on March 15, 2011; and (ii) paying a portion of the costs of issuance; and

WHEREAS, the City has agreed to assign and grant to the Secured Party a security interest in the Tax Revenues. (the "Collateral") to secure the obligations of the Authority pursuant to the Series 2012 Revenue Note.

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. Creation of Security Interest. In consideration of Secured Party using the proceeds of the Series 2012 Revenue Note as herein referenced, and for other value received, the City hereby assigns to the Secured Party and grants to the Secured Party a continuing security interest in, all of the City's right, title and interest in and to the Collateral.

The security interest in the Collateral herein granted shall secure the following liabilities and obligations of the City to the Secured Party:

(a) The City's obligations pursuant to Ordinance 934 and Resolution 796;

(b) All obligations of the City hereunder;

(c) All expenditures by the Secured Party for payment of all costs and expenses of any nature, including reasonable attorneys' fees, incurred by the Secured Party in collection and enforcement of any obligations of the City to the Secured Party; and

(d) All other indebtedness, obligations or liabilities of the City to the Secured Party, whether now existing or hereafter arising, howsoever evidenced or created, actual, direct, contingent or otherwise, including all future advances, made by the Secured Party to or for the benefit of the City.

2. Representations and Warranties of the City. The City hereby represents and warrants that:

(a) The City has full legal right, power and authority, without the consent of any other person, to execute and deliver this Security Agreement and to carry out the transactions contemplated hereby, and have taken all actions required to authorize the execution, delivery and performance of this Security Agreement.

(b) This Security Agreement creates valid, binding and enforceable security interests in the Collateral, which shall constitute a lien on said Collateral.

(c) Except for the security interests granted to the Secured Party hereunder and as set forth in paragraph 2(d) above, the City has granted no security interest nor made any assignment, pledge, mortgage or hypothecation of the Collateral or any portion thereof.

(d) Except as set forth in paragraph 2(d) above, no financing statement, registration or other document creating or evidencing any right, title or interest in the Collateral is on file in any other public office (other than any such filing evidencing the Secured Party' security interest hereunder).

(e) No authorization, approval or other action by, and no notice to or filing (other than financing statements) with, any governmental authority or regulatory body is required for either (i) the grant by the City of the security interests granted hereby, (ii) the execution, delivery or performance of this Security Agreement by the City or, (iii) the perfection of or the exercise by the Secured Party of its rights and remedies hereunder, subject to the provisions of bankruptcy, insolvency and similar laws.

3. Covenants of the City. The City covenants and agrees that, so long as any obligation secured by this Security Agreement remains outstanding or unsatisfied, the City shall comply or cause compliance with the following provisions:

(a) The City shall pay all liabilities and obligations to the Secured Party, now existing or hereafter arising, when due and payable.

(b) The City will, at its own expense, execute and deliver such other instruments and documents and take such other actions as the Secured Party or their counsel may from time to time deem necessary or appropriate, to establish, perfect, preserve and maintain valid first priority security interests in the Collateral, including, without limitation, the filing of UCC financing statements, amendments thereto and continuation statements in the proper filing and recording offices and hereby authorize the Secured Party to file financing statements and amendments thereto relative to the Collateral or any part thereof without the signature of the City where permitted by law.

(c) The City shall pay all expenses and reimburse the Secured Party for any expenditures, including reasonable attorneys' fees and legal expenses, incurred in connection with the Secured Party's exercise of any of their rights and remedies under Section 6 of this Security Agreement.

(d) The Secured Party shall have the right to cure any default by the City under any agreement, indenture, mortgage, deed of trust, or other instrument relating to the Collateral or by which the Collateral is bound or may be subject, and the City shall reimburse the Secured Party for any amounts paid to cure such defaults.

(e) The City shall give the Secured Party and their representatives reasonable access to the City's premises to inspect the Collateral.

4. Further Rights of Secured Party. The Secured Party shall have the right, at its option and at any time (whether or not the City is in default), by or through any of its officers, agents, attorneys, accountants or other representatives, to:

(a) Examine and inspect the Collateral at any reasonable time, including the right to make photocopies or extracts from the City's books and records and to arrange for verification of entries thereon, under reasonable procedures; and

(b) Discharge liens or interest on the Collateral, perform or cause to be performed for or on behalf of the City any action, condition, obligation or covenant that the City fails or refuses to perform (all sums so expended by the Secured Party shall be secured by this Security Agreement).

5. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Security Agreement:

(a) The City's failure to pay when due any obligation secured by this Security Agreement;

(b) The City's failure to observe or perform any of the provisions or covenants of this Security Agreement and such failure shall continue for ten (10) days after the Secured Party notify the City of such failure;

(c) Any warranty, representation or statement made or furnished to the Secured Party by or on behalf of the City pursuant to this Agreement or otherwise, proves to have been false or misleading in any material respect when made or furnished;

(d) Any event which results in a default or the acceleration of indebtedness of the City under any indenture, agreement or undertaking;

(e) Loss of any material portion of the Collateral, or the making of any seizure, or other transfer of any Collateral;

(f) A notice of lien, levy or assessment is filed or recorded with respect to all or any part of the Collateral, and the applicable claim is not discharged or satisfied within thirty (30) calendar days of such filing or recordation;

(g) The City's dissolution, insolvency, failure to pay debts as they mature, appointment of a receiver for any part of their property, assignment for the benefit of creditors, the commencement of any proceedings under any bankruptcy or insolvency laws by or against the City, or other material adverse change in the City's financial condition or means or ability to pay;

(h) Any judgment against the City, which remains unpaid, unstated on appeal or not discharged, bonded or dismissed for more than thirty (30) calendar days; or

(i) The failure of the City to promptly and fully pay, discharge or perform any obligation, liability or indebtedness to the Secured Party, whether now existing or hereafter arising.

6. Secured Party' Rights and Remedies. If any Event of Default shall have occurred and be continuing:

(a) All obligations and liabilities of the City secured hereby shall immediately become due and payable.

(b) The Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to them, all the rights and remedies of a secured party under the Uniform Commercial Code as in effect from time to time in the State of Oklahoma (the "Code") (whether or not the Code applies to the affected Collateral) or other applicable law, to the extent permitted by law, and also may require the City to, and the City hereby agrees that they will at their expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place or places to be designated by the Secured Party.

(c) Upon the occurrence of any Event of Default, the Secured Party shall, in addition to its other rights and remedies hereunder, be entitled, without further notice, hearing or process at law of any kind, to hold, manage and operate the Collateral on such terms and for such periods as the Secured Party shall deem proper.

(d) Upon an Event of Default, in addition to other sums due to the Secured Party, the City will pay the Secured Party all costs and expenses incurred by the Secured Party, including reasonable attorneys' fees and court costs, in connection with any sale held pursuant to this Security Agreement or in connection with enforcing the rights of the Secured Party hereunder.

(e) The rights and remedies of the Secured Party hereunder are cumulative and non-exclusive and the exercise of any one or more of the remedies provided for herein or under the Code shall not be construed as a waiver of any of the other remedies of the Secured Party so long as any part of the obligations secured hereby remain unsatisfied. No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Secured Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No act of the Secured Party shall be construed as an election to proceed under any one provision of this Security Agreement or at law or in equity to the exclusion of any other such provision. Nothing herein shall be construed to prevent the Secured Party from exercising each and every remedy at law or in equity for collection of the obligations of the City secured hereby.

(f) Any proceeds received by the Secured Party from the Collateral shall be applied by the Secured Party (after payment of any amounts payable to the Secured Party pursuant to Section 8) to the payment of costs and expenses incurred by the Secured Party in connection with taking possession of, managing, or maintaining the Collateral, including attorneys' fees and expenses, and the balance of such proceeds, if any, shall be applied by the Secured Party towards the payment of the obligations of the City secured hereby, in order of application as the Secured Party may from time to time elect. Any surplus of such cash proceeds held by the Secured Party and remaining after payment in full of all the obligations secured hereby shall be paid over to the City or to whomsoever may be lawfully entitled to receive such surplus.

(g) The Secured Party is authorized to endorse, in the name of the undersigned, any item, howsoever received by the Secured Party, representing rents, payment on or other proceeds of the Collateral.

7. City Remains Liable. Anything herein to the contrary notwithstanding, (a) the City shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (b) the exercise by the Secured Party of any of its duties or obligations hereunder shall not release the City from any of their duties or obligations under the contracts and agreements included in the Collateral, and (c) the Secured Party shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Security Agreement, nor shall the Secured Party be obligated to perform any of the obligations or

duties of the City thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

8. Secured Party Appointed Attorney-in-Fact. The City hereby irrevocably appoints the Secured Party, following the occurrence and during the continuance of an Event of Default, the City's agent and attorney-in-fact, with full authority in the place and stead of the City and in the name of the City or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to pursue its rights and remedies and to accomplish the purposes of this Security Agreement, including, without limitation:

- (a) To ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;
- (b) To endorse, in the name of the City, any item, howsoever received by the Secured Party, representing payment on or other proceeds of the Collateral;
- (c) To take all actions necessary or appropriate to pursue and effect the rights and remedies of the Secured Party; and
- (d) To file any claims, in the name of the City or the Secured Party, including any proof of claim in a bankruptcy proceeding, or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Collateral.

9. Security Interests Absolute. All rights of the Secured Party and security interests hereunder, and all obligations of the City hereunder, shall be absolute and unconditional, irrespective of:

- (a) Any lack of validity or enforceability of this Security Agreement, the Series 2012 Revenue Note, any obligation secured hereby or any other agreement or instrument relating thereto;
- (b) Any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations secured hereby;
- (c) Any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations secured hereby; or

(d) Any other circumstance which might otherwise constitute a defense available to, or a discharge of, the City in respect of the obligations secured hereby or this Security Agreement.

10. Amendment and Waiver. No amendment or waiver of any provision of this Security Agreement nor consent to any departure by the City herefrom, shall in any event be effective, unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No course of dealing between the City and the Secured Party, nor any delay or failure by the City to exercise any right hereunder, shall operate as a waiver. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11. Notices. Except as otherwise expressly provided herein, any notice required or desired to be served, given or delivered hereunder shall be in writing, shall be addressed to the person to be notified as follows (or to such other address or addresses as may hereafter be furnished in writing by the person to be notified):

(i) If to the Secured Party at:

Clinton Industrial Authority
415 Gary Blvd.
Clinton, Oklahoma 73601
Attention: Chairman

(ii) If to the City at:

City of Clinton
415 Gary Blvd.
Clinton, Oklahoma 73601
Attn: Mayor

and notice shall be deemed to have been validly served, given or delivered on (i) the date of delivery, if delivered in person, (ii) the third (3rd) business day after deposit in the United States mails, if delivered by certified mail, return receipt requested, (iii) the first (1st) Business Day after delivery to the courier, if delivered by private overnight courier service, or (iv) upon actual receipt thereof, if delivered in any other manner.

14. Termination. This Security Agreement shall terminate upon performance of the City's obligations under the Series 2012 Revenue Note and the Secured Party shall thereupon execute such termination statements or other documents as shall be necessary to terminate the security interest granted herein.

15. Governing Law. This Security Agreement shall be governed by the laws of the State of Oklahoma. Whenever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law; however, if any such provision shall be prohibited by or be invalid under applicable law, such provisions shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions hereof.

16. Execution in Counterparts. This Security Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the date first shown above.

“CITY”:

CITY OF CLINTON, OKLAHOMA

By: _____
Title: Allen Bryson, Mayor

(SEAL)

ATTEST:

Lisa Anders, City Clerk

“SECURED PARTY”:

CLINTON INDUSTRIAL AUTHORITY

By: _____
Allen Bryson, Chairman

(SEAL)

ATTEST:

Lisa Anders, Secretary

SCHEDULE A

Secured Party has a first lien on the following personal property:

Revenues, as generated in association with Ordinance 934 and Resolution 796..