

SECURITY AGREEMENT

This Agreement dated as of the ____ day of _____, 20____, is made by and between:

Secured Party:	
Secured Party's Principal Address:	

(hereinafter "**Secured Party**"), and

Debtor's Legal Name:	
Debtor's Principal Address:	
Debtor's State of Incorporation or Registration:	
Debtor's Federal Identification Number or Social Security Number	

(hereinafter "**Debtor**").

Debtor desires to purchase tires and related accessories from **Secured Party** and **Secured Party** desires to sell tires and related accessories to **Debtor**. As an inducement to **Secured Party**, **Debtor** desires to grant **Secured Party** a security interest in certain assets of **Secured Party**. The security interest created hereunder shall include a purchase money security interest.

1) Security Interest.

- a) Purchase Money Security Interest. For value received, **Debtor** grants to **Secured Party** a purchase money security interest in all of the following property of **Debtor** that is purchased from **Secured Party**, wherever located, whether now owned or hereafter acquired and all identifiable proceeds of any of the following property: each item of **Debtor's** inventory, supplies, equipment, and other goods purchased from **Secured Party** (the "**Purchase Money Collateral**").
 - i) The foregoing security interest in each item of Purchase Money Collateral shall secure the purchase price of that item and also secure any other obligations of **Debtor** to **Secured Party** related to the purchase price of that item to the extent that such other obligations may, under applicable law, be secured by a purchase money security interest in that item (the "**Purchase Money Obligations**").
- b) Non-Purchase Money Security Interest. In addition to the purchase money security interest granted above, **Debtor** hereby grants to **Secured Party** a continuing security interest in the following property, wherever located, whether now owned or hereafter acquired, and all additions and accessions to and all proceeds and products of any of the following property (the "**Non-Purchase Money Collateral**"), to secure full performance by **Debtor** of the duties and obligations set forth in this Agreement:
 - i) all of **Debtor's** interest in each item of Purchase Money Collateral to the extent the Purchase Money Obligations for such item of Purchase Money Collateral have been paid;
 - ii) all of **Debtor's** personal property including inventory, supplies, equipment, and all proceeds and products thereof; and
 - iii) all of **Debtor's** accounts, receivables, general intangibles, contract rights, chattel paper and instruments, and all returned or repossessed goods for the sale of which gave rise to the foregoing.

The foregoing security interest in Non-Purchase Money Collateral shall secure all of the **Debtor's** present and future debts, obligations and liabilities to **Secured Party**, however arising, whether matured or unmatured, direct or contingent, voluntary or involuntary, and including any extensions of renewals thereof, plus all costs, expenses, advances and liabilities that may be made or incurred by **Secured Party** in the administration and collection of such obligations and in the protections, maintenance and liquidation of the Purchase Money Collateral or the Non-Purchase Money Collateral (collectively, the "**Collateral**"), with interest on all the aforesaid at the rate of 18% per annum or, if lower, the highest rate permitted by applicable law (all such debts, obligations and liabilities, including without limitation the Purchase Money Obligations, shall hereinafter be collectively referred to as the "**Liabilities**").

2) Representations and Warranties of Debtor. **Debtor** represents, covenants and warrants to **Secured Party** the following:

- a) **Debtor** is a _____ (type of company) in good standing with the State of _____ with the exact legal name first listed above. All previous legal names of the **Debtor** and all past and present assumed names or trade names of **Debtor** are as follows:

- b) **Debtor** is engaged in the business of selling tires and related accessories.
- c) **Debtor's** principal office address and taxpayer identification number are set forth in the preamble to this Agreement. **Debtor** has not at any time within the past year maintained its principal office at any other location. Additional locations of **Debtor** are as follows:

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- d) All inventory and equipment of **Debtor** is located at the locations listed in this Section above, and **Debtor** does not keep inventory and equipment and has not kept inventory and equipment at any other location in the past year immediately preceding the date of this Agreement except as follows:
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- e) **Debtor** owns the Collateral free from all liens, security interests or encumbrances, except as given to **Secured Party** hereunder and as follows:
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- f) No financing statement covering the Collateral or any part of it or any proceeds of it other than those disclosed above is on file in any public office.

3) Debtor's Obligations

- a) Sale, Lease, or Disposition of Collateral, Continuing Interest. **Debtor** shall not transfer, sell, pledge or assign **Debtor's** interest in the Collateral, nor permit any other security interest to be created thereon, without **Secured Party's** prior written approval; provided, however, that **Debtor** may sell inventory in the ordinary course of business on terms and at prices customary therein, and may collect proceeds of collateral until advised otherwise by **Secured Party** or until an Event of Default hereunder. The security interest created hereunder shall continue in the Collateral notwithstanding its sale, exchange or other disposition where such disposition is to a person or entity (i) affiliated in any way with **Debtor** (including, but not limited to, by complete or partial common ownership), or (ii) to whom **Secured Party** has delivered collateral directly on behalf of **Debtor**.
- b) Conduct of Business. **Debtor** shall not conduct business under any other name than **Debtor's** legal name first listed above, or change or reorganize the type of business entity under which it does business, except with prior written approval of the **Secured Party**. If such approval is obtained, **Debtor** guarantees that all documents, instruments and agreements demanded by **Secured Party** shall be prepared and filed at **Debtor's** expense before such change of name or business entity occurs.
- c) Risk of Loss and Insurance. The risk of loss of Collateral shall be on **Debtor** at all times. The **Debtor** will insure the Collateral with companies acceptable to **Secured Party** against destruction and theft, in such amounts and with such companies as **Secured Party** may demand, all policies thereon to contain a loss payable clause naming **Secured Party** and satisfactory to **Secured Party**. **Debtor** hereby irrevocably assigns to **Secured Party** any proceeds of such policies and all unearned premiums thereon, and authorizes and empowers **Secured Party** to collect such sums and to execute and endorse in **Debtor's** name all proofs of loss, drafts, checks, and any other documents necessary to accomplish such collections. Such policy or policies of insurance shall provide that **Secured Party** shall receive at least ten (10) days' prior written notice of cancellation. **Debtor** shall provide **Secured Party** with certificates of insurance for all such policy or policies required under this Agreement.
- d) Protection of Collateral.
- i) The **Debtor** will not store the Collateral in violation of any statute or ordinance. **Debtor** grants to **Secured Party** or its designated agent the right to examine and inspect the Collateral at any reasonable time, during business hours with full access to **Debtor's** premises, inventory, and books of account as they pertain to **Debtor's** indebtedness to **Secured Party**.
 - ii) **Debtor** shall defend Collateral against any claims and demands of all persons at any time claiming the Collateral or any interest therein.
- e) Taxes. The **Debtor** will pay promptly when due all taxes and assessments on the Collateral.
- f) Financial Statements on Request. **Debtor** agrees to deliver to **Secured Party** within ten (10) days after written request by **Secured Party**, current financial and operating statements and such other data as **Secured Party** may request, plus a list of all collateral on hand. **Secured Party** may at any time demand supporting documentation for such statements. Failure to provide **Secured Party** with the requested information shall be an Event of Default under this agreement.
- g) Change of Location or Entity.
- i) Location of Collateral. The **Debtor** will keep the Collateral at the address shown above and will not remove the Collateral from that address without **Secured Party's** written consent.
 - ii) Change of Place of Business. The **Debtor** will promptly notify **Secured Party** of any change of the **Debtor's** place of business or place of conduct of business, or where books and records concerning the Collateral are kept or of any changes in **Debtor's** trade name.
 - iii) Change of Name or Entity. The **Debtor** shall not change its name, merge, consolidate or acquire all or substantially all of the stock, business or assets of any other person, corporation or business organization without written notification to **Secured Party**.
- h) Security Interests and Liens. **Debtor** agrees to keep the collateral free from all unpaid charges, liens and security interest, other than the security interests granted to **Secured Party** and those disclosed in this agreement.
- i) Decrease in Value of Collateral. The **Debtor** shall, if in **Secured Party's** judgment the Collateral has materially decreased in value, or if **Secured Party** shall at any time deem that the **Debtor** is financially unstable, within five (5) days, either provide enough additional Collateral to satisfy **Secured Party** or reduce the total indebtedness by an amount sufficient to satisfy **Secured Party**.

- j) Debtor Litigation. **Debtor** shall notify **Secured Party** within five (5) days if **Debtor** becomes involved in any litigation, or other legal proceedings before the court, tribunal or governmental body, or received notice of intent to hold a claim against **Debtor**, from any entity, in which any potential recovery against **Debtor** may exceed Two Thousand Dollars (\$2,000.00).
- 4) Reimbursement of Expenses. At the option of **Secured Party**, **Secured Party** may discharge taxes, liens, and interest, or perform or cause to be performed for and on behalf of the **Debtor** any actions and conditions, obligations, or covenants that the **Debtor** has failed or refused to perform, and may pay for the repair, maintenance, and preservation, of the Collateral. All sums to be expended, including but not limited to attorney's fees, court costs, agent's fees, or commissions, or any other costs or expenses, shall bear interest from the date of payment at the rate of eighteen percent (18%) per annum or, if lower, the highest rate permitted by applicable law, and shall be payable at the place designated at the **Secured Party's** address designated below and shall be secured by this Agreement.
- 5) Events of Default. The **Debtor** shall be in default under this Agreement on the occurrence of any of the following events or conditions (each an "Event of Default"):
- Default in the payment or performance of any note, obligation, covenant, or liability secured by this Agreement.
 - Any warranty, representation, or statement made or furnished to **Secured Party** by or on behalf of the **Debtor** proves to have been false in any material respect when made or furnished.
 - Failure to perform any of **Debtor's** obligations under this Agreement;
 - Any event that results in the acceleration of the maturity of the indebtedness of the **Debtor** to others under any indenture, agreement, or undertaking.
 - Loss, theft, substantial damage, destruction, sale, or encumbrance to or of any of the Collateral, or the making of a levy, seizure, or attachment of or on the Collateral.
 - Secured Party's** reasonable belief that the prospect of payment of any indebtedness secured by this Agreement or the performance of this Agreement is impaired.
 - The termination of the **Debtor's** existence, whether by means of dissolution, merger, consolidation or otherwise, the **Debtor's** insolvency or business failure, the appointment of a receiver for any part of the Collateral, any assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency law by or against the **Debtor** or any guarantor or surety for the **Debtor**.
- 6) Remedies.
- On **Debtor's** default, **Secured Party**, at its option and without demand on or notice to **Debtor**, may do any one or more of the following:
 - Declare all Liabilities immediately due and payable, and interest shall accrue on the Liabilities at the rate of eighteen percent (18%) per annum, or if lower, the highest rate permitted by applicable law.
 - Remove the Collateral from the premises of the **Debtor**, wherever it may be found, and for purposes of removal and possession, **Secured Party** or its representatives and agents, may enter into any premises of the **Debtor**, without legal process, and **Debtor** hereby waives and releases **Secured Party**, its representatives and agents, of and from any and all claims in connection with or arising from such entry and repossession.
 - Demand, and **Debtor** shall deliver, possession and control of the Collateral together with all products and proceeds thereof and records pertaining thereto, and, if requested, **Debtor** shall:
 - Assemble the Collateral and make it available to **Secured Party** at any convenient place designated by **Secured Party**;
 - Make and deliver any and all endorsements or assignments necessary to enable **Secured Party** to make collection thereon; and
 - Deposit daily all cash received in a bank account designated for that purpose by and under sole control of **Secured Party**.It is agreed that **Secured Party** will not have adequate remedy at law if **Debtor** does not assemble and make the Collateral available to **Secured Party** as aforesaid, and, accordingly, that **Debtor's** obligation to do so shall be specifically enforceable.
 - Notify all account **Debtors** of the **Debtor** to make payment of such accounts directly to **Secured Party**, and **Secured Party** may endorse the name of **Debtor** on any checks, notes or other documents received in payment of an account. **Secured Party** further has the right to sue for, take judgment or compromise such accounts, and to sell the same at public sale.
 - Dispose of Collateral in such manner pursuant to such code as **Secured Party** may determine, whether or not Collateral is present at the time and place of such disposition, at any place specified in the applicable Uniform Commercial Code as **Secured Party** may determine. Reasonable prior notice of the disposition of Collateral shall be ten (10) days, and **Secured Party** shall apply proceeds therefrom to the Liabilities in such order as **Secured Party** in its discretion may determine and in accordance with the Code. **Debtor** further agrees to pay **Secured Party** any deficiency if proceeds from the disposition of Collateral are not sufficient to satisfy the Liabilities.
- Debtor** shall pay all expenses and reimburse **Secured Party** for any expenditures, including but not limited to costs of collecting the Liabilities, reasonable attorneys' fees and legal expenses, in connection with any exercise by **Secured Party** of its rights and remedies hereunder. Such cost and expenses shall be Liabilities secured by this Agreement.

c) All rights and remedies conferred upon **Secured Party** hereby are in addition to and cumulative with those granted to it in any other agreement or by the Uniform Commercial Code or any other law. Failure or repeated failure to enforce any rights hereunder shall not constitute an estoppel or waiver of **Secured Party's** rights to exercise such rights accruing prior to or subsequent thereof. **Secured Party** shall not be liable for any loss to Collateral in its possession nor shall such loss diminish the Liabilities, even if the loss is caused or contributed to by **Secured Party's** negligence.

7) Notice. Any notice or other communication to be given to either party shall be in writing and delivered personally to or by certified mail and addressed to:

DEBTOR:

SECURED PARTY:

Notice shall be deemed given upon personal delivery or forty-eight (48) hours after deposit in the United States Mail.

8) General Provisions.

- a) Filing Requirements. **Debtor** shall join with **Secured Party** in executing one or more financing statements pursuant to the Uniform Commercial Code and any other documents or instruments necessary to perfect, extend, modify, or terminate the security interest created hereunder, as demanded by **Secured Party**; however, if the applicable Uniform Commercial Code so allows, **Debtor** hereby appoints **Secured Party**, as its attorney-in-fact to execute and file in those public offices deemed advisable or necessary by the **Secured Party**, all necessary Financing Statements and any other such documents or instruments to perfect the security interest created herein, in form satisfactory to **Secured Party** without first obtaining **Debtor's** signature; and **Debtor** shall pay the costs of filing and recording such documents.
- b) Waiver. No waiver by **Secured Party** of any default shall operate as a waiver of any other default or of the same default on a future occasion. No revision or amendment of this Agreement shall be valid unless in writing and signed by the parties.
- c) Binding Effect of Agreement. This Agreement shall be binding upon, insure to the benefit of and be enforceable by the successors, heirs and assigns of the parties; but **Debtor** shall not assign any interest in this Agreement without prior written consent of **Secured Party**.
- d) Applicable Law. This Agreement and all transactions described herein, contemplated hereby or resulting herefrom shall be governed and construed by and in accordance with the laws of the State of _____ (Secured Party's situs state) and the Uniform Commercial Code. **Debtor** irrevocably agrees that, subject to **Secured Party's** sole and absolute election, all actions or proceedings, in any way, manner or respect, arising out of or from or related to this Agreement or the Collateral shall be litigated only in courts having situs within the city of _____ and State of _____, and **Debtor** hereby consents and submits to the jurisdiction of any local, state or federal court located within said State. **Debtor** hereby waives any right it may have to transfer or change the venue of any litigation brought against **Debtor** by **Secured Party** in accordance with this paragraph.
- e) Severability. If any clause or portion of a clause of this Agreement shall be held to be invalid, such clause or portion of a clause shall be invalidated only to the extent required by such law and all remaining clauses or portions of a clause contained herein shall continue to be in full force and effect to the maximum extent not prohibited by applicable law.
- f) Waiver of Jury Trial. **Debtor** and the **Secured Party**, by acceptance hereof, knowingly, voluntarily and intentionally waive any right either of them may have to a trial by jury in any litigation based upon or arising out of this Agreement or any other document contemplated by this Agreement, or any course of conduct, dealing, statements (whether oral or written), or actions of either of them. Neither the **Debtor** nor the **Secured Party** shall seek to consolidate, by counterclaim or otherwise, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.
- g) Entire Contract. All prior understanding and agreement respecting the transactions here contemplated are merged in this Agreement. There are no representations, warranties or agreements between the parties as to such transactions except as set forth herein, and this Agreement fully and completely expresses the agreement of the parties as to such transaction.
- h) To the extent permitted by the applicable state law, **Debtor** waives all claims, damages and demands against **Secured Party** arising out of the repossession, retention or sale of Collateral.

DEBTOR

Company Name: _____
Signature of Officer: _____
Printed Name of Officer: _____

SECURED PARTY

Company Name: _____
Signature of Officer: _____
Printed Name of Officer: _____

GUARANTY

We, the undersigned Guarantors, jointly and severally unconditionally guarantee to the **Secured Party** the payments and performance of any and all obligations of **Debtor** under this Security Agreement. Presentment, demand, protest, and notice of protest and dishonor and diligence in collecting under this Agreement are each and all waived. **Secured Party** may, at its option, proceed in the first instance against the undersigned, jointly and severally, to collect and/or seek performance of any obligations covered by this Guaranty without first proceedings against the **Debtor**, or any other entity.

Dated: _____

“Guarantors”

I have received a copy of the financing statement.

DEBTOR NAME PRINTED

By: _____
Debtor Signature

NOTICE TO PRIOR SECURED PARTY
OF PURCHASE MONEY SECURITY INTEREST

TO: _____ RE: Debtor: _____

_____ (“**PMSI Secured Party**”) hereby notifies you that it has or expects to acquire a purchase money security interest in inventory of the above named debtor. A description of the inventory is as follows:

All of Debtor's right, title and interest in and to all inventory, supplies, equipment and other goods purchased from **PMSI Secured Party**, wherever located, whether now owned or hereafter acquired, and all identifiable proceeds therefrom. In addition, please be advised that **PMSI Secured Party** may, from time to time, acquire a purchase money security interest in collateral other than the Debtor's inventory or the other purchase money collateral described above.

In case you have previously received a notification letter from **PMSI Secured Party**, this letter is to advise you of our renewal of the above-described purchase money security interest.

Dated: _____

PMSI SECURED PARTY

Company Name: _____
Signature of Officer: _____
Printed Name of Officer: _____

The undersigned acknowledges receipt of a copy of this document this _____ day of _____, 20____.

PRIOR SECURED PARTY

Company Name: _____
Signature of Officer: _____
Printed Name of Officer: _____

NOTE: PLEASE SIGN THE ENCLOSED COPY AND RETURN IT IN THE POSTAGE-PAID ENVELOPE TO:

PMSI SECURED PARTY:

THANK YOU.

OFFICER'S CERTIFICATE REGARDING
RESOLUTIONS OF THE
BOARD OF DIRECTORS

I, _____, Secretary of _____
(the "Company") do hereby certify that the following is a true copy of resolutions duly adopted by the Board of Directors of the Company, on _____ (date), and that, as of the date hereof, such resolutions remain in full force and effect:

Recitals

1. The Company presently desires, to obtain extensions of credit from _____
(the "Seller") for various purposes.
2. To induce Seller to extend such credit from time to time, upon such terms and conditions as the borrower and Seller may agree, the Company desires to grant Seller a security interest in the Company's assets according to the terms of the Security Agreement labeled Exhibit A and attached hereto.
3. It is in the best interests of the Company that such an arrangement be entered into.
4. Seller has required that the Board of Directors of the Company certify to the extension of credit, grant of security interest, and authority to execute all other related documents to protect the interests of the Seller to the full extent of the law.

NOW THEREFORE, BE IT RESOLVED that _____ (name), who is the _____ (title) of the Company, be authorized and empowered to take any and all actions and to execute and deliver to Seller any and all security agreements, financing statements, guarantees, accommodations, sureties, confessions of judgment, and other agreements, instruments and documents necessary or convenient to carry out the above purposes and any amendments, extensions, revisions and renewals thereof, each of which shall be the valid and binding obligation of the Company upon execution and delivery.

FURTHER RESOLVED, that all actions of officers, employees and agents of the Company heretofore or hereafter taken by any of them in furtherance of the purposes recited above, are hereby ratified and confirmed as and for the authorized acts of the Company.

FURTHER RESOLVED, that a copy of these resolutions may be delivered to Seller and Seller may without further inquiry, rely on the continuing full force and effect thereof.

IN WITNESS WHEREOF, I have hereunder set my hand and seal this _____ day of _____, 20_____.

Company Name: _____

Signature of Officer: _____

Printed Name of Officer: _____