

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of November 19, 2025 (the “Security Agreement”), is made by the TOWN OF KNIGHTDALE, NORTH CAROLINA, a municipal corporation duly organized and existing under the Constitution and laws of the State of North Carolina (the “Town”), for the benefit of PNC BANK, NATIONAL ASSOCIATION, a national banking association duly organized and validly existing under the laws of the United States of America, or any successor and assign, being hereinafter referred to as the “Secured Party;”

WITNESSETH:

WHEREAS, the Town has entered into an Installment Financing Agreement, of even date herewith (the “Agreement”), with the Secured Party, whereby the Secured Party has agreed to advance funds to the Town to acquire the Equipment (as defined in the Agreement), and the Town has agreed to repay the funds advanced to the Town with interest in installments due at the times and in the amounts set forth in the Agreement (the “Installment Payments”), the final Installment Payment being due on December 1, 2029;

WHEREAS, the Town desires to secure (a) the payment of the Installment Payments due under the Agreement, (b) the performance by the Town of all of its other obligations under the Agreement, (c) the payment of any and all other indebtedness which this Security Agreement by its terms secures and (d) the performance by the Town of the covenants and agreements contained in this Security Agreement;

NOW, THEREFORE, in order to induce the Secured Party to make the advancement under the Agreement, and in consideration of the benefits to accrue to the Town by reason thereof, and for other good and valuable consideration, receipt of which is hereby mutually acknowledged, the parties hereby agree as follows:

Section 1. Uniform Commercial Code Security Agreement. The Town hereby grants to the Secured Party, as security for the payment of all Installment Payments under the Agreement and the performance by the Town of all of its other obligations under the Agreement and this Security Agreement, a security interest in all of the Equipment financed by the Town from the amounts advanced to the Town pursuant to the Agreement, as more particularly described in Exhibit A hereto, including substitutions and replacements thereof or thereto as permitted by the Agreement, and all proceeds (cash and non-cash), including the proceeds of insurance. Except as otherwise provided in the next succeeding paragraph, the Town shall execute, deliver and file, or cause to be filed, in the North Carolina Secretary of State’s office, Uniform Commercial Code financing statements (including any continuation statements) to perfect and continue the perfection of the security interest hereby granted in the Equipment.

With respect to such pieces of Equipment constituting a vehicle required to be titled under North Carolina law, the Town shall have no obligation to provide for a notation of lien on the certificates of title for such vehicles. The Town shall be responsible for the correct titling of

all Equipment so purchased after the date hereof and retain all original Certificates of Title for retention with the Town.

To the extent permitted by law, the Equipment is and shall at all times remain personal property, whether or not affixed to or installed upon real property, and none of the Equipment shall constitute fixtures within the meaning of the Uniform Commercial Code, as adopted by the State of North Carolina (the "UCC").

Section 2. Representations, Warranties and Covenants. The Town hereby represents, warrants and covenants as follows:

(a) Except as otherwise provided in the Agreement, the Town is and will continue to be the absolute owner of the Equipment, free and clear of all encumbrances and security interests, other than Permitted Encumbrances (as defined in the Agreement).

(b) The Town will not sell, transfer, exchange, lease, mortgage, encumber, pledge or otherwise dispose of all or any part of the Equipment, except as provided in the Agreement and this Security Agreement.

(c) Except as otherwise provided in Section 1 hereof, the Town will execute and deliver to the Secured Party concurrently with the execution and delivery of this Security Agreement and upon the request of the Secured Party from time to time thereafter, all financing statements and other documents reasonably required to perfect and maintain the security interest created hereby.

Section 3. Events of Default and Remedies of Secured Party. (a) If any of the following events shall occur:

(i) default in any payment under the Agreement or default in any of the other terms or conditions of the Agreement secured hereby and the expiration of any applicable grace or notice periods provided thereby; or

(ii) failure by the Town to observe and perform any warranty, covenant, condition or agreement on the part of the Town under this Security Agreement for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Town by the Secured Party unless the Secured Party shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period and if corrective action is instituted by the Town within the applicable period and diligently pursued, the Town shall have such additional period of time to correct the failure as shall be necessary to correct such failure so long as such correction is diligently pursued; or

(iii) any lien, charge or encumbrance prior to or affecting the validity of this Security Agreement is found to exist, other than Permitted Encumbrances, or proceedings are instituted to enforce any lien, charge or encumbrance against the Equipment and such lien, charge or encumbrance would be prior to the lien of this Security Agreement;

then and in any of such events (hereinafter referred to as an “Event of Default”), all payments under the Agreement may become at once due and payable, regardless of the maturity date or other due date thereof.

(b) Upon the occurrence of an Event of Default, the Secured Party may proceed against the Equipment as provided in and in accordance with the applicable provisions of the Uniform Commercial Code as adopted by the State of North Carolina. Subject to any limitations imposed by the applicable provisions of the UCC, the Secured Party may sell, lease, or otherwise dispose of all or any part of the Equipment, at public or private sale, for cash or on credit, as a whole or in part, and the Secured Party may at such sale or sales purchase the Equipment or any part thereof. The proceeds of such sale, lease, collection or other disposition shall be applied first to the costs and expenses of the Secured Party incurred in connection with such sale, lease, collection or other disposition, and then to such outstanding balance due on any and all indebtedness owed to the Secured Party in the manner provided in the Agreement. Further, the Secured Party may require the Town to assemble the Equipment and make the Equipment reasonably available to the Secured Party at one or more places to be designated by the Secured Party which are reasonably convenient to the Town and the Secured Party, and the Secured Party may take possession of the Equipment and hold, prepare for sale, lease or otherwise dispose of the Equipment. In addition, the Town shall collect and provide to the Secured Party any titles to such Equipment that are in the Town’s possession in order to permit the Secured Party to transfer title to such Equipment upon a sale thereof. Any required notice by the Secured Party of the sale or other disposition or default, when mailed to the Town at its address set forth herein, shall constitute reasonable notice to the Town. In addition to, but not in limitation of, any of the foregoing, the Secured Party may exercise any or all of the rights and remedies afforded to the Secured Party by the provisions of the North Carolina Uniform Commercial Code or otherwise afforded to the Secured Party under this Security Agreement, with all such rights and remedies being cumulative and not alternative, and the Town agrees, to the extent permitted by law, to pay the reasonable costs of collection, including, in addition to the costs and disbursements provided by statute, reasonable attorneys’ fees and legal expenses which may be incurred by the Secured Party subject to the procedures and limitations set forth in Section 6-21.2 of the General Statutes of North Carolina, as amended and as may be amended from time to time. No failure or delay in exercising any option, right or remedy shall be deemed a waiver thereon or a waiver of any Event of Default.

NOTWITHSTANDING ANY OTHER PROVISIONS HEREIN, IT IS THE INTENT OF THE PARTIES HERETO TO COMPLY WITH SECTION 160A-20 OF THE GENERAL STATUTES OF NORTH CAROLINA, AS AMENDED. NO DEFICIENCY JUDGMENT MAY BE ENTERED AGAINST THE TOWN IN FAVOR OF THE SECURED PARTY OR ANY OTHER PERSON IN VIOLATION OF SAID SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED HEREUNDER OR UNDER THE AGREEMENT WHEN THE SALE OF ALL OR ANY PORTION OF THE EQUIPMENT IS INSUFFICIENT TO PRODUCE ENOUGH MONEYS TO PAY IN FULL ALL REMAINING OBLIGATIONS HEREUNDER OR UNDER THE AGREEMENT.

Section 4. Miscellaneous.

(a) Notices. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when delivered or mailed by first-class, registered or certified mail, postage prepaid, addressed as follows:

If to the Town:

Town of Knightdale, North Carolina
950 Steeple Square Court
Knightdale, North Carolina 27545
Attention: Jessica Rhem, Finance Director

If to the Secured Party:

PNC Bank, National Association
301 Fayetteville Street, Suite 2100
Raleigh, North Carolina 27601
Attention: Kyle Huber, Senior Vice President

The Town and the Secured Party may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent or persons to whose attention the same shall be directed.

Any such notices or other communications may also be transmitted to the appropriate above-mentioned parties by electronic mail ("email") to the email address specified by such parties, provided such email includes a document in portable document format (pdf) signed by an authorized representative of the transmitting party. Such email communications shall be deemed to be received once an email acknowledging receipt of such email is sent by the receiving party.

(b) Successors and Assigns. This Security Agreement shall bind the Town and its successors and assigns and shall inure to the benefit of and be enforceable by the Secured Party and its successors and assigns.

(c) Applicable Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to conflict of law principles.

(d) Severability. In the event any term, provision or covenant herein contained or the application thereof to any circumstances or situation shall be invalid or unenforceable in whole or in part, the remainder hereof and the application of said term or provision or covenant to any other circumstances or situation shall not be affected thereby, and every other term, provision or covenant herein shall be valid and enforceable to the full extent permitted by law.

IN WITNESS WHEREOF, the Town has caused this Security Agreement to be executed, sealed and attested in its name by its duly authorized officers, all as of the day and year first above written.

TOWN OF KNIGHTDALE, NORTH CAROLINA

[SEAL]

By: _____

Jessica Day
Mayor

Attest:

Heather Smith
Town Clerk

EXHIBIT A

DESCRIPTION OF THE EQUIPMENT

The Equipment consists of all equipment acquired by the Town from the proceeds of the amounts advanced to the Town pursuant to the Agreement, including, without limitation, the following (but only to the extent such equipment is acquired by the Town from the proceeds of the amounts advanced to the Town pursuant to the Agreement):

Vehicle Type	Quantity	Department
2025 Dodge Durango Pursuit	4	Police
2025 Nissan Altima 2.5	1	Police
2025 Ford F150 Crew XL	1	Police
2025 Toyota 4 Runner SRS	1	Police
2026 Chevy Traverse ILB56	1	Community Relations
2026 Chevy 1500 Crew	2	Fire
2025 Jeep Grand Cherokee	2	Police
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