

## SECURITY AGREEMENT

This **SECURITY AGREEMENT** (the "**Agreement**") is made and entered into this 5<sup>th</sup> day of January, 2012, by and between **CONNECTICUT INNOVATIONS, INCORPORATED**, a quasi-public agency of the State of Connecticut, having an office and principal place of business located at 999 West Street, Rocky Hill, Connecticut 06067 (the "**Secured Party**") and **THE JACKSON LABORATORY**, a Maine non-profit corporation with an office and principal place of business at 600 Main Street, Bar Harbor, Maine 04609, (the "**Debtor**").

### WITNESSETH:

**WHEREAS**, the Secured Party has agreed to extend to Debtor a certain loan in an amount not to exceed **FORTY-SIX MILLION SEVEN HUNDRED THOUSAND AND 00/100 (\$46,700,000.00) DOLLARS** (the "**Loan**"), which Loan is evidenced by a Promissory Note in said amount of even date (the "**Note**"); and

**WHEREAS**, the terms and conditions of the Loan are set forth in a certain Bioscience Collaboration, Operating and Funding Agreement and a certain Promissory Note in relation to the Loan, each agreement being of even date herewith by and between Secured Party and Debtor (the "**Funding Agreement**"); and

**WHEREAS**, the purpose of the Loan is to assist the Debtor in the purchase of furniture, fixtures and equipment for use in the Facility, as defined below, to be purchased by the Debtor and funded by the Secured Party, in conjunction with its construction of a research facility at 299 and a Portion of 263 Farmington Avenue, Farmington, Connecticut (the "**Facility**").

**WHEREAS**, as a condition precedent to the extension of the Loan, the Secured Party requires the Debtor to provide a security interest in all of the furniture, fixtures and equipment purchased with the proceeds of the Loan, as security for the performance of Debtor's obligations under the Funding Agreement and the Note;

NOW, THEREFORE, in consideration of the foregoing and of the covenants set forth herein, the Secured Party and the Debtor hereby agree as follows:

## ARTICLE I COLLATERAL

Section 1.1. Grant of Security Interest. As security for the performance of the Obligations (as hereinafter defined), the Debtor hereby grants to the Secured Party a continuing security interest in the property of the Debtor purchased with the proceeds of the Loan (the "**Collateral**"), being the furniture, fixtures and equipment located at or utilized in the operation of the Facility.

Section 1.2. Definitions. All capitalized terms not otherwise defined herein, shall have the meanings ascribed to such terms in the Uniform Commercial Code – Secured Transactions, as from time to time in effect in the State of Connecticut (the "**UCC**").

**ARTICLE II  
OBLIGATIONS SECURED**

Section 2.1 Obligations Secured. The Collateral and the power of collection pertaining thereto shall secure the performance of any and all obligations of the Debtor to the Secured Party under the Facility Loan and the FF&E Loan as defined in the Funding Agreement (the "Loans"), including, without limitation, the Debtor's obligation to satisfy the Employment Obligation and the Annual Average Wage Obligation (as such terms are respectively defined in the Funding Agreement), and to pay all Costs (as defined in the Note) (collectively, the "**Obligations**").

**ARTICLE III  
DUTIES OF THE DEBTOR REGARDING COLLATERAL**

Section 3.1 Duties of the Debtor Regarding Collateral. At all times hereafter until the termination of this Agreement in accordance with Section 8.1 below, the Debtor agrees that it shall:

- (a) Preserve the Collateral in good condition and order and not permit it to be abused or misused;
- (b) Maintain good and complete title to the Collateral;
- (c) Keep the Collateral free and clear at all times of all other security interests, liens, or encumbrances of any kind, including, without limitation, any lien arising as a result of the Debtor's failure to pay any and all taxes or governmental assessments or charges of any kind whatsoever except as otherwise permitted by the Secured Party;
- (d) Except as otherwise expressly provided herein, refrain from selling, assigning or otherwise disposing of any of the Collateral (except in the ordinary course of Debtor's business and disposal of obsolete machinery and equipment) or moving or removing any of the Collateral without the prior written consent of the Secured Party, or until all of the Obligations have been performed in full;
- (e) Notify the Secured Party of any material change in any fact or circumstance warranted or represented by the Debtor herein or furnished in connection herewith to the Secured Party or if a Jax Event of Default (as defined herein) occurs;
- (f) Keep the Collateral insured against fire and other risks as provided in the Funding Agreement; and
- (g) Obtain, execute, deliver and file such financing statements, assignments, landlord's or mortgagee's waivers, and other notices and amendments and renewals thereof in relation to the Collateral as the Secured Party may reasonably request from time to time, and take any and all steps and observe such formalities as the Secured Party may request in order to create and maintain a valid and enforceable

first lien upon, pledge of, and first priority security interest in, any and all of the Collateral.

Section 3.2 Negative Covenants of the Debtor. The Debtor covenants and agrees that at all times hereafter until the termination of this Agreement in accordance with Section 7.1 below, the Debtor shall not, without the prior written consent of the Secured Party:

(a) Sell, lease, license or otherwise dispose of any of the Collateral, except for sales of inventory in the ordinary course of business and disposal of obsolete machinery and equipment;

(b) Permit to incur or suffer any loss, theft, substantial damage or destruction of any of the Collateral which is not immediately replaced with Collateral of equal or greater value, or which is not fully covered by insurance; or

(c) File any UCC-3 termination statement affecting any UCC-1 Financing Statement in favor of the Secured Party.

#### **ARTICLE IV DEFAULT**

Section 4.1 Defined. The term "Material Default" shall mean a Jax Event of Default, as defined in the Funding Agreement, which is a Material Default (as defined in the Funding Agreement) and which as been invoked by CI pursuant to Section 14.2 of the Funding Agreement. In addition, the following events shall constitute an Event of Default for the purposes of this Agreement:

(a) The failure of the Debtor to perform or comply with any material act, duty, covenant or obligation required to be performed under this Agreement that results in a Material Adverse Effect (as defined in the Funding Agreement);

(b) If any of the representations or warranties of the Debtor set forth in Section 6.1. of this Agreement shall prove to be incorrect in any material respect; or

(c) If any material portion of the Collateral shall be damaged, destroyed or otherwise lost and such damage, destruction or loss is not either covered by insurance or promptly replaced by the Debtor.

#### **ARTICLE V REMEDIES**

Section 5.1 Rights and Remedies Upon Default. If a Material Default shall have occurred hereunder, the Secured Party may, as its sole remedy, exercise the rights and remedies of any secured creditor under the UCC or under any other applicable law as in effect, from time to time, in Connecticut including, without limitation, the right to take possession of the Collateral, and in addition thereto, the right to enter upon any premises on which the Collateral or any part thereof may be situated and remove the

same therefrom and the right to occupy the Facility for the purposes of liquidating Collateral, including without limitation, conducting an auction thereon. The Secured Party may, at its option, take the Collateral for its use or sell the Collateral on credit, and furthermore may sell the Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title or the like, which shall not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will give the Debtor at least thirty (30) days' prior written notice at the address of the Debtor set forth in Section 9.9 hereof (or at such other address or addresses as the Debtor shall specify in writing to the Secured Party) of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Any such notice shall be deemed to meet any requirement hereunder or under any applicable law (including the UCC) that reasonable notification be given of the time and place of such sale or other disposition. After deducting all costs and expenses of collection, storage, custody, sale or other disposition and delivery (including reasonable attorneys' fees) and all other reasonable charges against the Collateral, the residue of the Proceeds of any such sale or disposition shall be retained by the Secured Party. It is agreed and understood that the Secured Party's sole remedy hereunder shall be to take the Collateral with no further liability to the Debtor to sell or otherwise liquidate the Collateral.

Section 5.2 Right of Secured Party to Use and Operate Collateral. Upon the occurrence of a Material Default, the Secured Party shall have the absolute right and power to take possession of all or any part of the Collateral, and to exclude the Debtor and all persons claiming under the Debtor wholly or partly therefrom, and thereafter to hold, store, and/or use, operate, manage and control the same. Upon any such taking of possession, the Secured Party may proceed to own and operate the Collateral with no further liability to account to the Debtor. The Debtor hereby expressly waives any obligation of the Secured Party to process and/or prepare any Collateral prior to any sale or other disposition thereof. Upon any taking of possession of all or any part of the Collateral, the Secured Party shall have the right to manage and control the Collateral and to carry on the business and to exercise all rights and powers of the Debtor in respect thereto. Without limiting the generality of the foregoing, the Secured Party shall have the right to apply for and have a receiver appointed by a court of competent jurisdiction in any action taken by Secured Party to enforce its rights and remedies hereunder in order to manage, protect and preserve the Collateral and continue the operation of the business of the Debtor.

## **ARTICLE VI WARRANTIES**

Section 6.1 Warranties. The Debtor represents and warrants that:

(a) the Debtor is or will be the owner of and has good and marketable title to the Collateral secured hereby; and

(b) the Debtor has not granted, nor will the Debtor grant a security interest in the Collateral to any other individual or entity, and that such Collateral is free and clear of any mortgage, pledge, lease, trust, bailment, lien, security interest, encumbrance, charge or other arrangements.

## **ARTICLE VII WAIVERS**

Section 7.1 Waivers. The Debtor waives any right to require the Secured Party to (a) proceed against any person, including the Debtor or any guarantor; (b) proceed against any other collateral under any other agreement; and (c) pursue any other remedy in the Secured Party's power.

## **ARTICLE VIII TERMINATION**

Section 8.1 Termination. This Agreement shall terminate immediately upon the forgiveness of the Loan pursuant to the Funding Agreement.

## **ARTICLE IX MISCELLANEOUS**

Section 9.1 Authorization. The Secured Party is authorized to file financing statements in relation to the Collateral without the signature of the Debtor and to execute and file such financing statements on behalf of the Debtor as specified by the UCC to perfect or maintain the Secured Party's security interest in all of the Collateral.

Section 9.2 Perfection by Filing. The Secured Party may at any time and from time to time, at Debtor's expense, file financing statements, continuation statements and amendments thereto that describe the Collateral and which contain any other information required by the UCC for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether the Debtor is an organization, the type of organization and any tax and/or organization identification number issued to the Debtor. The Debtor agrees to furnish any such information to the Secured Party promptly upon request. Any such financing statements, continuation statements or amendments may be signed, if so required, by the Secured Party on behalf of the Debtor, and may be filed at any time in any jurisdiction as necessary.

Section 9.3 Other Perfection, etc. The Debtor shall at any time and from time to time, at Debtor's expense, take such steps as the Secured Party may reasonably request for the Secured Party (a) to obtain an acknowledgement, in form and substance satisfactory to the Secured Party, of any bailee having possession of any of the Collateral that the bailee holds such Collateral for the Secured Party, (b) to obtain possession of all or any portion of the Collateral in order to perfect its security interest therein in addition to the filing of a financing statement, and (c) otherwise to insure the

continued perfection and priority of the Secured Party's security interest in any of the Collateral and of the preservation of its rights therein.

Section 9.4 Expenses. The Debtor shall be liable to pay all costs and expenses, including reasonable attorneys' fees and expenses, incurred by the Secured Party in administering, enforcing, collecting or realizing upon any of the Obligations or the Collateral or in taking any action necessary to preserve and protect the Secured Party's security interest in the Collateral.

Section 9.5 Commercial Transaction. DEBTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION AND WAIVES ITS RIGHTS TO NOTICE AND HEARING UNDER CHAPTER 903(A) OF THE CONNECTICUT GENERAL STATUTES OR AS MAY OTHERWISE BE REQUIRED BY ANY LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE SECURED PARTY MAY SEEK OR BE PERMITTED TO USE.

Section 9.6 Waiver of Jury Trial. DEBTOR HEREBY WAIVES TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING OR ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTION OF WHICH THIS AGREEMENT IS A PART AND/OR THE ENFORCEMENT OF ANY OF ITS RIGHTS AND REMEDIES. DEBTOR ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH ITS ATTORNEY.

Section 9.7 Governing Law. It is intention of the parties and it being expressly understood that this Agreement and the rights hereto are expressly governed by and are to be enforced in accordance with the laws of the State of Connecticut (but not its conflicts of law provisions), except to the extent that the UCC provides for the application of the law of the Debtor's state of incorporation.

Section 9.8 Bind and Inure. All rights and remedies of the parties under this Agreement and in connection with the Collateral shall inure to any assignee or successor of the Secured Party. All obligations of the Debtor shall bind its successors and assigns.

Section 9.9 Notices. All notices and communications under this Agreement shall be in writing and shall be given by either (a) hand delivery, (b) certified mail, return receipt requested (postage prepaid), (c) reliable overnight commercial courier (charges prepaid), or (d) facsimile (with confirmation of transmission) to each of the parties as follows:

If to the Secured Party:

Connecticut Innovations, Incorporated  
999 West Street  
Farmington, CT 06067  
Attn: Catherine H. Smith, Chairperson  
Fax: (860) 563-4877

with a copy to:

Pullman & Comley, LLC  
850 Main Street  
Bridgeport, CT 06604  
Attn: John F. Stafstrom, Jr., Esq.  
Fax: (203) 330-2089

If to the Debtor:

The Jackson Laboratory  
600 Main Street  
Bar Harbor, Maine 04609  
Attn: Charles E. Hewett, Ph.D., Executive Vice President and  
Chief Operating Officer  
Fax: (207) 288-6808

with a copy to:

Hogan Lovells US LLP  
1111 Brickell Avenue, Suite 1900  
Miami, FL 33131  
Attn: Mark A. Sterling, Esq.  
Carol Licko, Esq.  
Fax: (305) 459 6550

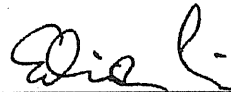
Notice shall be deemed to have been given and received: (i) if by hand delivery, upon receipted delivery; (ii) if by mail, three (3) calendar days after the date first deposited in the United States mail; (iii) if by overnight courier, on the date shown on the courier's receipt as the date of actual delivery, and (iv) if by facsimile, on the date shown on the confirmation of transmission. A party may change its address by giving written notice to the other party as specified herein.

**IN WITNESS WHEREOF**, the Debtor and the Secured Party have duly made and entered into this Agreement as of the day and year first written above.

Signed, Sealed and Delivered

**DEBTOR:**

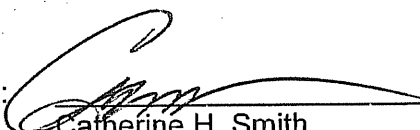
**THE JACKSON LABORATORY**

By:   
Edison Tak Bun Liu, M.D.  
Its President and Chief Executive Officer  
Duly Authorized

Dated: January 5, 2012

**SECURED PARTY:**

**CONNECTICUT INNOVATIONS, INC.**

By:   
Catherine H. Smith  
Its Chairman of the Board  
Duly Authorized

Dated: January 5, 2012

**Schedule A**  
**LIENS AND ENCUMBRANCES**

NONE

**Schedule B**

**COLLATERAL LOCATION**

**COMPANY NAME: THE JACKSON LABORATORY**

**TRADE NAME(S):**

**CHIEF EXECUTIVE OFFICE LOCATION: 600 Main Street  
Bar Harbor, Maine 04609**

**PLACE(S) OF BUSINESS: 600 Main Street  
Bar Harbor, Maine 04609**

**299 and a Portion of 263 Farmington Avenue  
Farmington, Connecticut 06032**

**LOCATION(S) OF COLLATERAL OR RECORDS RELATING TO COLLATERAL:**

**299 and a Portion of 263 Farmington Avenue  
Farmington, Connecticut 06032**