

Security Agreement

SLS SAMPLE DOCUMENT 07/11/17

Guarantor name and tradename: [_____] (“Guarantor”)	Guarantor address and collateral location:
Guaranty Agreement to which this agreement relates: Guaranty Agreement, dated as of XX/XX/XXXX, between Guarantor and [_____] (“Client”) Capitalized terms used in this Security Agreement and not otherwise defined have the meanings given them in the Loan Agreement.	Purpose of this document: <ul style="list-style-type: none">• Grants Client a lien in Guarantor’s property described in Exhibit A• Permits Client to foreclose and sell Guarantor’s property if Borrower fails to repay the loan or meet its other obligations under the Loan Agreement• Limits ability of Guarantor to grant other liens on or sell its property• Provides Client with other rights <p>This summarizes selected provisions of this agreement. It is intended to serve as a communications tool and, as such, does not cover every term.</p>

This document, which consists of this form, the attached Terms and Conditions, and Exhibit A (collectively, “Agreement”), creates a binding security agreement between Guarantor and Client, and secures Guarantor’s obligations to Client under the Guaranty Agreement identified above. By signing below, Guarantor confirms that Guarantor understands and agrees to the terms of this Agreement.

Client

Name: _____

By: _____

Title: _____

Date: _____

Guarantor

Name: _____

By: _____

Title: _____

Date: _____

[Co-guarantor name]

Name: _____

By: _____

Title: _____

Date: _____

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Terms and Conditions

1. Creation of Security Interest

1.1 Grant of Security Interest

Guarantor grants and pledges to Client a continuing security interest in the property of Guarantor described in Exhibit A ("Collateral") to secure the guaranty of prompt repayment and performance of Borrower's obligations under the Loan Agreement. Such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and is intended to and will constitute a valid, first priority security interest in later-acquired Collateral.

1.2 Possession

Except as otherwise provided in this Agreement or the Guaranty Agreement, Guarantor may have possession of the tangible personal property and beneficial use of all Collateral, and may use it in a manner consistent with this Agreement and the Guaranty Agreement.

1.3 Financing Statements

Guarantor authorizes Client to file with the California Secretary of State, and any other appropriate agencies, a UCC financing statement, or alternatively, copies of the Guaranty Agreement and this Agreement, to perfect Client's security interest.

1.4 Attorney-in-Fact

Guarantor irrevocably appoints Client as Guarantor's attorney-in-fact for the purpose of executing any documents and taking any actions necessary to perfect, amend, or to continue the security interest granted under this Agreement, and, upon any Event of Default, to preserve, process, maintain, and protect the Collateral.

2. Guarantor's Conduct

2.1 Upkeep

Guarantor will maintain the Collateral in an orderly and efficient manner and in good working order.

2.2 Sale of Collateral

Guarantor will not, without prior written consent of Client: (i) sell, contract for sale, or otherwise dispose of any of the Collateral except in the ordinary course of business; or (ii) change the physical location of the Collateral except in the ordinary course of business.

2.3 Collections

Guarantor will diligently collect all accounts due to Guarantor, contract rights, instruments, letters of credit, and/or general intangibles included in the Collateral.

2.4 Rights in Collateral

Guarantor will defend the Collateral against any liens, and will defend the right, title, and interest of the Client in and to any of Guarantor's rights under the Collateral against the claims and demands of any other parties.

2.5 Indemnification

Guarantor will defend, indemnify, and hold Client, and its directors, officers, employees, agents, and affiliates (collectively "Client Parties"), harmless from and against any and all third party claims and expenses, including, without

limitation, reasonable attorneys' fees and expenses, that may be suffered by Client arising from Client's interest in the Collateral.

2.6 Insurance

Guarantor will maintain such insurance on the Collateral (including vehicle Collateral) and will name Client as an additional insured on such insurance policies, as Client may request.

3. Guarantor Problems and Client Rights

3.1 Client Remedies

Upon the occurrence and during the continuance of an Event of Default, Client may, in its sole discretion, without notice of its election and demand, do any one or more of the following, all of which are authorized by Guarantor:

(a) require Guarantor to assemble the Collateral and the records pertaining to the Collateral, and make them available to Client at a place designated by Client;

(b) enter any premises where any Collateral may be located and take possession of the Collateral with or without judicial process;

(c) use, sell, assign, lease, or otherwise dispose of the Collateral or any part thereof and at any location, and at public or private sale, upon such terms as are acceptable to Client;

(e) collect the payments, rents, income, and revenues arising from the Collateral; or

(d) otherwise enforce the security interest created under this Agreement and exercise any and all rights it may have under the California Commercial Code, this Agreement or other applicable law.

All of Client's rights, powers, and remedies under this Agreement are in addition to all rights, powers, and remedies given to Client at law or equity. The exercise of one of these rights or remedies will not impair Client's right to exercise any other right or remedy.

3.2 Collateral Preservation

If Guarantor fails to care for the Collateral as provided in this Agreement, Client may take any action that it deems appropriate, including, without limitation, entering Guarantor's premises and taking actions that may be necessary to preserve the Collateral. All expenditures incurred by Client under this Section 3.2 will become part of Guarantor's obligations under the Guaranty Agreement. It is understood that Client will not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve, or maintain any Collateral while it is in Guarantor's possession.

3.3 Other Parties

If ownership of the Collateral becomes vested in a person other than Guarantor, Client, without notice to Guarantor, may deal with such persons without releasing Guarantor from its obligations under the Guaranty Agreement. In addition, if any part of the Collateral is sold or otherwise transferred outside of the ordinary course with the consent of Client, then Client may require that all proceeds of such

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transactions be made immediately available to Client in a form jointly payable to Guarantor and Client.

3.4 Guarantor's Sole Responsibility

Guarantor will remain responsible for and liable under each of its contracts, leases and licenses. Client will have no obligation or liability under any contract, lease, or license by reason of or arising out of this Agreement.

4. Representations and Warranties

Guarantor represents and warrants to Client the following:

4.1 Business Address and Assumed Names

Guarantor maintains its principal office at the location set out on the first page of this Agreement. Guarantor keeps its books and records, including, without limitation, its records concerning the Collateral, at such principal office. Guarantor does not operate under any trade or assumed name except as set out on the first page of this Agreement. Guarantor has filed or recorded all documents or filings required by law relating to all trade or assumed business names used by Guarantor.

4.2 Security Interests

The provisions of this Agreement create valid security interests in all Collateral in favor of Client, and such security interests constitute perfected and continuing security interests in all Collateral, having priority over all other security interests or liens on Collateral.

4.3 Liens

Except as disclosed to Client, Guarantor has not entered into or granted any security or pledge agreements, or permitted the filing or attachment of any security interests, liens, or other charges, on or affecting any of the Collateral, or signed any financing statements relating to the Collateral, except for the security interests and related financing statements in favor of Client as provided by this Agreement.

5. General Provisions

5.1 Entire Agreement

This Agreement, together with the Guaranty Agreement relating to this Agreement, expresses the final, complete, and exclusive agreement between Client and Guarantor, and supersedes all prior or contemporaneous communications, representations, understandings, and agreements, either oral or written, relating to the lending relationship set out in this Agreement.

5.2 Amendment

This Agreement may be amended only as stated in a written document signed by both Client and Guarantor which states that it is an amendment to this Agreement.

5.3 Successors and Assigns

This Agreement will bind and insure to the benefit of the respective successors and assigns of each of Guarantor and Client. Guarantor will not, directly or indirectly by way of merger or consolidation, assign its rights or delegate its duties under this Agreement without Client's prior written approval. Client may, without the consent of Guarantor, assign or grant participation rights in all or any portion of its rights under this Agreement to one or more financial institutions or an agent of such financial institutions. In

connection with this assignment, Client may disclose all documents and information that Client has or may later have relating to Guarantor.

5.4 Severability

If any provision in this Agreement is held invalid or unenforceable, the other provisions will remain enforceable, and the invalid or unenforceable provision will be considered modified so that it is valid and enforceable to the maximum extent permitted by law.

5.5 Waiver

Any waiver under this Agreement must be in writing and signed by the party granting the waiver. Waiver of any breach or provision of this Agreement will not be considered a waiver of any later breach or of the right to enforce any provision of this Agreement.

5.6 No Presumption Against Drafter

This Agreement will be construed without regard to any presumption or rule requiring construction against the party drafting the Agreement.

5.7 Jury Trial Waiver

To the extent permitted by law, each of Client and Guarantor, after consulting (or having had the opportunity to consult) with counsel of its, his or her choice, knowingly and voluntarily, and for the mutual benefit of both parties, waives any right to trial by jury in the event of litigation arising out of or related to this Agreement or any other document, instrument, or agreement between Client and Guarantor.

5.8 Attorney's Fees

If there is any mediation, arbitration or legal action to enforce or interpret this Agreement, then the prevailing party will be entitled to recover from the non-prevailing party all costs and expenses, including reasonable attorneys' fees and costs, incurred in the action or proceeding. Attorneys' fees and costs will include paralegal fees, expert witness fees, copy and delivery costs, and all other costs and expenses.

5.9 Costs of Enforcement

Guarantor will, upon demand, immediately reimburse Client for all costs and expenses, including attorney fees, incurred in collecting, enforcing or restructuring Guarantor's obligations under this Agreement.

5.10 Governing Law; Jurisdiction

This Agreement will be governed by California law. Guarantor consents to the exclusive jurisdiction of the state and federal courts for [_____], California.

5.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will be taken together and deemed to be one instrument. Transmission by fax or PDF of executed counterparts constitutes effective delivery.

5.12 Additional Information

For additional information, contact the Department of Corporations, State of California.

Exhibit A

Description of Collateral

The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located.

- (a) All goods and equipment now owned or hereafter acquired, including, without limitation, computer equipment, office equipment, machinery, furniture, fixtures, vehicles, and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;
- (b) All now existing and hereafter arising accounts, equipment leases, retail installment contracts, contract rights, royalties, license rights, and all other forms of obligations owned by or owed to the Guarantor arising out of the sale or lease of goods, the licensing of technology, or the rendering of services by the Guarantor, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by the Guarantor and the Guarantor's books relating to any of the foregoing;
- (c) All inventories now owned or hereafter acquired, including, without limitation, all consigned inventory, merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, containers, items held for sale, items held for lease, items for which Guarantor is lessor, goods to be furnished under contract for services, materials used or consumed in Guarantor's business, including such inventories as are temporarily out of the Guarantor's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and the Guarantor's books relating to any of the foregoing;
- (d) All lessor and lessee rights under any and all leases of personal and real properties;
- (e) All contract rights, general intangibles, health care insurance receivables, payment intangibles, and commercial tort claims, now owned or hereafter acquired, including, without limitation, all patents, patent rights (and applications and registrations therefor), trademarks and service marks (and applications and registrations therefor), tradenames and rights thereto, inventions, copyrights, trade names, trade styles, software and computer programs, trade secrets, methods, processes, know-how, drawings, specifications, descriptions, and all memoranda, notes, and records with respect to any research and development, goodwill, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer disks, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind and whether in tangible or intangible form;
- (f) All documents, cash, deposit accounts, letters of credit, letter of credit rights, supporting obligations, certificates of deposit, instruments, and investment property, including, without limitation, all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts and commodity accounts, and all financial assets held in any securities account or otherwise, wherever located, now owned or hereafter acquired and the Guarantor's books relating to the foregoing;
- (g) Any and all claims, rights, and interests in any of the above and all substitutions for, additions and accessions to, and proceeds thereof, including, without limitation, insurance, condemnation, requisition, or similar payments and the proceeds thereof; and

[insert other collateral including vehicles]