

Security Agreement ~ Formal

- 🔊 This is a more formal security Agreement than the other version. If you are going to loan someone or a company money, you want to be able to collect it even if you must seize assets, etc.
- 🔊 On the other hand, a lender (likely an angel investor) may request a security agreement – best if you deliver it yourself.
- 🔊 The purpose is to give the secured party a security interest in all [assets / inventory] now held or acquired in the future as well as the proceeds with respect to those goods it provides to Debtor.
- 🔊 The first part of the memo should be completed and distributed to the other party along with a copy of the Security Agreement.

Date: **[Month, Day, Year]**

To:  **Name of other party]**

From: **[Owner/Founder]**
[Company]

Subject: **Security Agreement**

Attached to this memorandum is a “Security Agreement” to give [Secured Party] a security interest in all [assets / inventory] now held or acquired in the future as well as the proceeds with respect to those goods it provides to [Debtor].

I’ve got to have this to enable me to [loan you / finance your purchase].

I believe that it embodies everything we discussed.

Please read the agreement carefully.

We recommend that you also have it reviewed by your own qualified legal counsel.

Time is of the essence.

Please sign and return it to me asap.

Thank you very much!

From JIAN

NOTICE:

We wish we could provide an agreement that was tailored *exactly* to your business. While this is not always possible, we feel that we've come very close and that this document provides you with the head-start that you need to get your deal moving. Nevertheless, we must make this disclaimer:

- 🔴 **Do Not Use This Agreement 'As-Is.'**
- 🔴 **This Agreement Is Not Legal Advice.**
- 🔴 **Read it Thoroughly and Make All Appropriate Changes to Fit Your Requirements.**
- 🔴 **You Should Have this Agreement Reviewed and Approved by a Qualified Attorney at Law Before Using It.**
- 🔴 **JIAN Accepts No Liability for the Effectiveness of This Document For Your Purposes.**

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We're building a network of business experts who are eager to help you when you need it. They can review your work, make suggestions, handle unique situations and introduce you to influential people. On our website you can search by expertise and location, then e-mail or jump straight to their website. Although they are professionals and charge for their services, most offer an initial consultation free of charge. They're in your area and you can contact them directly.


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- Remember to bookmark our website: www.JIAN.com

Editing Your Sample Contract

Since this entire agreement is formatted in Word, you can edit it like any other Word document. You can jump from variable to variable by clicking the above  green arrows (JIAN Menu) which will take you forward / backward and highlight the entire sample text identified within the “[]” brackets – simply edit / type-over with your information.

To make sure you have filled in all the variables, use Word's 'FIND' function to locate any “[]” which may contain an unedited variable.

- Click the  icon in the JIAN menu above to turn the expert comments on/off.
- Upon completion, delete any unnecessary blank lines that remain.
- You may format this document any way you like.
- Delete this page.

2. Collateral

The Collateral consists of the items described above and includes such items now owned or hereafter acquired by Debtor, and all additions and accessions thereto, and proceeds from the sale or transfer thereof, regardless of the form of such proceeds, whether arising from a voluntary or involuntary disposition of the Collateral or the proceeds thereof, including, but not limited to, insurance proceeds, and specifically including all of Debtor's right, title and interest in, to and under any revenue share or sales contracts and units of Debtor products funded by the amounts evidenced by the Promissory Note from time to time.

3. Payment of Obligation

Debtor shall make timely payment to Secured Party of all sums which may become due pursuant to the Promissory Note, in accordance with the terms thereof. Debtor shall pay Secured Party, on demand, all expenses, including reasonable attorneys' fees and other legal expenses incurred by it in exercising or protecting its interests, rights and remedies hereunder, including, but not limited to, any expenses incurred by Secured Party in any bankruptcy or similar proceeding involving Debtor, all of which amounts are secured hereunder.

4. Debtor's Representations, Warranties & Agreements

Debtor represents, warrants and agrees that:

a) Additional Acts & Documents

Debtor shall do, make, procure, execute and deliver all acts, things, writings and assurances as Secured Party may reasonably request to protect, insure or enforce its interests, rights and remedies created hereunder, including, but not limited to, (i) executing and delivery UCC-1 financing statements and amendments and continuations thereof, and (ii) if any Debtor's accounts receivable shall be evidenced by a note or other instrument, deliver and pledge to Secured Party such note or instrument, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form satisfactory to Secured Party .

b) Location, Condition & Use of Collateral

Except as otherwise provided herein, electronic and paper copies of the Collateral consisting of intellectual property (including but not limited to system and application software for its simulation products, proprietary systems design and concepts) shall be kept, secured and regularly updated in safe-keeping at a location of which Secured Party is given notice and shall not be moved without written notice to the Secured Party. The Collateral shall be kept in good condition and repair, shall not be misused, abused, wasted or allowed to deteriorate, reasonable wear and tear excepted, and shall not be used in violation of any applicable statute, ordinance, ruling or regulation, and shall not be sold or otherwise disposed of without notice to Secured Party, unless in the ordinary course of business.

The Parties agree that, in the ordinary course of business, the Debtor may...

- (i) maintain master negatives in secure, off premises cold storage;
- (ii) transfer materials to labs for purposes of making prints;
- (iii) deliver its demonstration motion systems to trade shows and marketing presentations;
- (iv) deliver hardware products and software to third parties under license and sale on exclusive distribution agreements; and
- (v) permit various materials, components and assemblies to be located at the premises of its contractors, manufacturers and actual and potential customers.

c) Insurance on Collateral

Debtor shall have and maintain insurance at all times with respect to all Collateral for full replacement value against risks of fire, theft, vandalism and such other risks as is commercially reasonable under the circumstances, including standard extended coverage. Such insurance policies shall contain such terms and be written by such companies as are satisfactory to Secured Party. Such insurance policies shall also contain a standard endorsement providing for payment to Secured Party of any loss suffered by Secured Party. Such insurance policies shall provide for ten (10) days minimum written cancellation notice to Secured Party. Debtor shall furnish Secured Party with evidence of compliance with the foregoing insurance provisions within twenty (20) days from the date hereof.

d) Ownership of Collateral

Except as hereinbefore disclosed, Debtor owns the Collateral free and clear of all liens and encumbrances, and no effective financing statement or other similar instruments in effect covering the collateral is on file in any filing or recording office as of the date hereof.

e) Other Names

Debtor has not in the past done, and does not now do, business under any other name (including trade names or fictitious business names) and Debtor will immediately notify Secured Party of any future change of its name so that Secured Party may continue to perfect its rights hereunder.

f) Valid, Perfected, Second Priority Security

This Agreement, together with (i) the filing of financing statements in the State of California, the County of [County], and any other country where the Collateral may be located (upon notice to and consent from Secured Party) and (ii) the delivery to, and possession by, the Secured Party, of any notes and instruments constituting Collateral, creates a valid, perfected and, subject only to the liens and encumbrances hereinbefore identified, second priority security in the Collateral, securing the payment of the secured obligations described herein.

5. Events of Default

Debtor shall be in default hereunder upon the happening of any of the following events or conditions:

Notice of Acceleration of any of the Prior Charges.

Debtor's failure to pay when due any indebtedness due pursuant to the Promissory Note;

Default by Debtor in the timely performance of any of the obligations, covenants, terms or provisions contained or referred to hereunder or in any obligation secured hereby;

When any warranty, representation or statement contained hereunder or made or furnished to Secured Party by, or on behalf of Debtor, in connection herewith proves to have been false in any material respect when made or furnished;

Upon the loss, theft, substantial damage, destruction or encumbrance of a material portion of the Collateral, or the making of any levy, seizure or attachment thereof or thereon; or

Upon Debtor's dissolution, termination of existence, insolvency or business failure, the appointment of a receiver of all or any part of the property of Debtor; the assignment of all or any part of the Collateral for the benefit of creditors of Debtor; or the commencement of any proceeding under the bankruptcy or insolvency laws by or against Debtor.

6. Secured Party's Rights Under Default By Debtor

In the event of a default hereunder, Secured Party may declare all obligations secured hereby immediately due and payable and, in addition to any other rights or remedies they may have at law or in equity, Secured Party shall have the rights and remedies of a secured party under the Commercial Code of

California, including, without limitation thereon, the right, subject only to the Prior Charges, to sell or otherwise dispose of all or any of the Collateral and the right to take possession of the Collateral, and, for that purpose, Secured Party may enter upon the Premises and remove the same therefrom, providing that Secured Party does not breach the peace in so doing. Upon demand, Debtor shall immediately deliver in kind to Secured Party the proceeds from the Collateral, regardless of the form of such proceeds, all of which shall be deemed received by Debtor on behalf of and in trust for Secured Party. Secured Party shall send Debtor reasonable notice of the time and place of any public sale of the Collateral or the time after which any private sale or other disposition thereof is to be made.

The requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, certified mail to Debtor at its last know address at least ten (10) days before the time of sale or other disposition. Expenses of retaking, holding, preparing for sale, selling and the like, including Secured Party' reasonable attorneys' fees and legal expenses shall also be paid by Debtor and secured hereunder. Debtor shall remain liable for any deficiency. Secured Party, without being obligated to do so, may cure any default by Debtor hereunder, and by so doing, Secured Party shall not be deemed to have waived any default so remedied or any other prior or subsequent default. The rights and remedies of Secured Party hereunder are cumulative and the exercise by Secured Party or any one or more of the remedies provided for herein, whether successively or concurrently, shall not be construed as a waiver of or estop Secured Party from exercising any of its other rights or remedies.

7. Additional Terms of this Agreement

🔊 Enure: "to become beneficial or advantageous."

This Agreement shall be binding on and enure to the benefit of the successors and assigns of the parties hereto. Should any provision of this Agreement be invalid, void or unenforceable, the remaining provisions shall nevertheless remain in full force and effect. All notices provided for herein shall be validly given if made in writing and delivered or mailed by certified mail, return receipt requested, to the party for whom such notice is intended at the addresses set forth above. Captions used herein are for convenience only and shall not be deemed part of this Agreement in construing its terms. This Agreement shall be governed by and construed in accordance with the laws of [State]. Time is of the essence of this Agreement.

This Agreement may be executed in one or more counterparts, by manual or facsimile signature, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

Understood, Agreed & Approved

We have carefully reviewed this contract and agree to and accept all of its terms and conditions. We are executing this Agreement as of the Effective Date above.

[Company]

[Lender]

[Owner/Founder], [Title]

[Lender Name], CEO/President