

Security Agreement

- 🔊 Don't do this unless you absolute have to... Give the secured party a security interest in all [assets / inventory] now held or acquired in the future as well as proceeds with respect to those goods it/they provide to you.
- 🔊 If a lender is smart they will want it – on the other hand, if you are the lender, get a security interest in the person's business or property to secure your loan/financing of any kind for them.
- 🔊 To avoid an insult to injury, if you loan a "friend" some cash, get a video camera or electric guitar – something valuable they will want back, otherwise, after a certain date, you get to keep it. Better to have them pissed at you (their own fault) than you pissed at them after bestowing a kindness.
- 🔊 See also "Promissory Note" if you need just a slightly formal IOU.
- 🔊 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 is a "Security Agreement" in order to give me 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 you.

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.**

Free Access to Attorneys, Accountants & Consultants in Your Area

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.


- Please visit our website under [Expert Referral Network](#).

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- Please visit our website under [Updates](#).
- 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.

Security Agreement

☞ This introductory paragraph lists the date and the parties to this Agreement. We formatted this agreement uniquely to make it easy on others (judge, arbitrator(s), etc. God forbid) to readily understand who is involved, when the agreement begins and some basic summary background information.

Effective Date **[Date]**

between **[Debtor]**, (“Debtor”)
a **[State]** [**Corporation / Partnership / Sole Proprietorship / Resident**],
located at **[Address]**

and  **[Owner/Founder]**, (“[Company]” or “Secured Party”)
a **[State]** [**Corporation / Partnership / Sole Proprietorship / Resident**]
located at **[Address]**
[City], [State] [Zip Code]

Security Interest

☞ The Debtor is giving the Secured Party a Security Interest in all of the specified inventory acquired now and in the future from the Secured Party as well as any other rights related to that Inventory.

☞ For the first insert, enter the state in which the Debtor is conducting business.

☞ For the second insert, describe the product(s) that the Debtor is taking a security interest in.

In consideration of any financial accommodations given, to be given, or continued to be given to the Debtor by the Secured Party, and as collateral security for the payment of all debts, obligations or liabilities now or hereafter existing, absolute or contingent, of the Debtor to the Secured Party (“Indebtedness”), the Debtor, pursuant to the provisions of the Uniform Commercial Code as enacted in [State], the Debtor hereby grants the Secured Party a security interest in all [inventory of [Describe products] now held or hereafter acquired by the Debtor from the Secured Party, together with all additions or accessions thereto, and all accounts, contract rights, documents, instruments, general intangibles and chattel papers of the Debtor now existing or hereafter arising out of or with respect to such inventory and all proceeds of all the foregoing.

This Agreement shall apply to all indebtedness regardless of how the same accrues or is evidenced, whether by invoice, statement, book account, account stated, note, or other evidence of indebtedness of the Debtor to the Secured Party, and without the necessity of making any reference to this Agreement.

☞ Most of the paragraphs under the Warranties and Covenants' section are not commented as they are fairly easy to understand; however, where the Secured Party or the Debtor is required or prohibited from something, we have made comments accordingly.

Debtor's Warranties & Covenants

☞ If there are any type of ownership claims regarding the Collateral by third parties (where such parties claim an interest in the Collateral), the Debtor must defend the Collateral.

1. The Debtor hereby warrants and covenants that the security interest granted to the Secured Party by the Debtor shall apply to the Collateral whether or not title thereto or to any part thereof shall have passed or shall be deemed to have passed to the Debtor; the Debtor is, or to the extent that this Agreement states that the Collateral is to be acquired after the date of this Agreement, will be the owner of the Collateral free from any adverse lien, security interest or encumbrance; and the Debtor will defend the Collateral against all claims and demands of all other persons at any time claiming the same or any interest therein.

☞ The Debtor should ensure that the Secured Party knows where the Collateral is being kept.

2. The Collateral will be kept at the address(es) designated at the beginning of this Agreement or listed on an attached exhibit.

3. If the Collateral has been, is to be, or is attached to real estate, the Debtor will, on demand of the Secured Party, furnish the latter with disclaimers signed by all persons having an interest in the real estate, of any interest in the Collateral.

4. At the request of the Secured Party, the Debtor will join with Secured Party in executing one or more financing statements, amendments, continuations and termination statements pursuant to the Uniform Commercial Code of the State in which the Debtor is conducting business, in form satisfactory to the Secured Party.

☞ Except for merchandise sold in the ordinary course of business, the Debtor must get the Secured Party's written consent before selling or offering to sell any of the Collateral in bulk.

5. The Debtor will not sell or offer to sell in bulk, or otherwise transfer the Collateral in bulk or any interest in that without having given the Secured Party actual notice of any such sale and having received the written consent of the Secured Party; provided, however, that if the Collateral is the Debtor's merchandise inventory, the Debtor shall be entitled to sell the Collateral in the ordinary and usual course of business.

☞ The Debtor is required to maintain an insurance policy with respect to the Collateral, and the policy itself must provide for at least ten days notice to the Secured Party for non-renewal or cancellation.

6. The Debtor will, at all times, maintain in full force and effect insurance with respect to the Collateral against risk encompassed within the standard policy of fire insurance with extended coverage endorsement, theft and other risks as the Secured Party may require, and written by such company or companies as may be satisfactory to the Secured Party, such insurance to be payable to the Secured Party, and the Debtor as their interests may appear. Further, the Secured Party shall have a lien on any claims payments to the extent of any indebtedness then owed the Secured Party by the Debtor, the existence and the amount of which shall be disclosed to the insurer. All such policies of insurance shall provide for not less than ten (10) days written notice of the cancellations or non-renewal to the Secured Party and, at the request of the Secured Party, shall be delivered to and held by it. The Secured Party may act as the attorney-in-fact for the Debtor in obtaining, adjusting, setting and canceling such insurance and endorsing drafts.

7. The Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair and will not waste or destroy the Collateral or any part (except that if the Collateral is merchandise inventory of the Debtor, the Debtor shall be entitled to sell the Collateral in the ordinary and usual course of business). The Secured Party may examine and inspect the Collateral at any reasonable time wherever it is located.


8. The Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use and operation. At its option the Secured Party may discharge taxes, liens, security interest, or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. The Debtor agrees to reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization. Any and all sums so advanced by the Secured Party for the Debtor shall bear interest at the highest lawful rate, and said sums and said interest shall be secured by the Collateral.

9. Until default, the Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement, and not inconsistent with any policy of insurance thereon.

10. Within thirty (30) days following receipt of a written request from the Secured Party, the Debtor will hold the Proceeds separate and apart from and refrain from commingling the proceeds with any other funds or property of the Debtor.

Default

 The following section sets forth circumstances that lead to a default and provide the Secured Party with remedies.

The Debtor shall be in default  under this Agreement upon the happening of any of the following events or conditions:

1. Default in the payment or performance of any obligation, covenant, or liability contained or referred to in this Agreement, or in any invoice, statement, book account, account stated, note, or other evidence of indebtedness of the Debtor to the Secured Party;
2. Any warrant, representation or statement made or furnished to the Secured Party by or on behalf of the Debtor that proves to have been false in any material respect when furnished;
3. Any event that results in the acceleration of the maturity in the indebtedness of the Debtor to others under any indenture, Agreement or undertaking;
4. Loss, theft, damage, destruction, sale (except as herein expressly provided), or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment;
5. Death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Debtor or any guarantor or surety of the Debtor.
6. Upon such default and at any time thereafter, the Secured Party may declare all indebtedness secured hereby immediately due and payable and shall have the remedies of a Secured Party under the Uniform Commercial Code of the State in which the Debtor is conducting business. The Secured Party may require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties. The Secured Party will give the Debtor reasonable notice of the time and place of any public sale or of the time after which any private sale or any other intended disposition is to be made. The requirements of reasonable notice shall be met if such is mailed, postage prepaid, to the address of the Debtor shown at the conclusion of this Agreement at least five (5) days before the time of sale or disposition. The Secured Party, in addition and at its sole discretion, may retain an attorney to collect the Debtor's delinquent and unpaid account and any expenses previously incurred in attempting to collect said account and collecting and selling the Collateral. The Debtor shall pay a sum equal to thirty percent (30%) of the outstanding unpaid amount of the Debtor's account and previously incurred costs for the collection of that as and for a reasonable attorney's fee. The Debtor shall, in addition, pay any and all costs incurred in the collection of the

Debtor's unpaid and delinquent account and previously incurred expenses. The said amounts of attorney's fees, legal expenses and costs shall be added to the unpaid balance of the Debtor's account and shall be due and owing from the Debtor to the Secured Party.

General Provisions

☞ This section, often titled "Miscellaneous," lists a number of standard clauses found in most Agreements.

☞ All changes to this Agreement, including any waivers, are to be in writing and signed by the party against whom compliance is sought. Also, if one party waives a promise or condition (such as a deadline on one occasion) that doesn't mean that the promise or condition is automatically waived again.

1. Waiver, Amendment, Modification. No waiver, amendment or modification, including those by custom, usage of trade, or course of dealing, of any provision of this Agreement will be effective unless in writing and signed by the party against whom such waiver, amendment or modification is sought to be enforced. No waiver by any party of any default in performance by the other party under this Agreement or of any breach or series of breaches by the other party of any of the terms or conditions of this Agreement shall constitute a waiver of any subsequent default in performance under this Agreement or any subsequent breach of any terms or conditions of that Agreement. Performance of any obligation required of a party under this Agreement may be waived only by a written waiver signed by a duly authorized officer of the other party, that waiver shall be effective only with respect to the specific obligation described in that waiver.

☞ In this next section, you must decide which state's laws govern this Agreement. Generally, it is your (company's) state of residence. Insert that state in all three inserts.

2. Governing Law. This Agreement shall be governed by the laws of the State of [State] applicable to Agreements made and fully performed in [State] by [State] residents.

☞ The following paragraph states that this Agreement is intended to be the only Agreement between these parties regarding this particular matter, and that no other documents or communications, whether oral or written, are binding. Therefore, it is very important to make sure that everything the parties have agreed to and want to include is accounted for in the body of this Agreement.

3. Entire Agreement. The parties acknowledge that this Agreement expresses their entire understanding and Agreement, and that there have been no warranties, representations, covenants or understandings made by either party to the other except such as are expressly set forth in this section. The parties further acknowledge that this Agreement supersedes, terminates and otherwise renders null and void any and all prior Agreements or contracts, whether written or oral, entered into between the Debtor and the Secured Party with respect to the matters expressly set forth in this Agreement.

☞ Generally, more than one copy of an Agreement is executed. This means that they are all the same.

4. Counterparts. This Agreement may be executed in multiple counterparts, any one of them will be deemed an original, but all of them shall constitute one and the same instrument.

☞ If there is a lawsuit or proceeding involving this Agreement, the losing party agrees to pay the winning party his or her costs and expenses, including reasonable attorneys' fees.

5. Attorney Fees. If either party is required to retain the services of any attorney to enforce or otherwise litigate or defend any matter or claim arising out of or in connection with this Agreement, then the prevailing party shall be entitled to recover from the other party, in addition to any other relief awarded or granted, its reasonable costs and expenses (including attorneys' fees) incurred in the proceeding.

6. No Warranties. No warranties, expressed or implied, of any kind whatsoever including, but not

limited to, warranties of merchantability of fitness for a particular purpose, are made by the Secured Party (when the Secured Party is not the manufacturer) in reference to any product. The Debtor shall look exclusively to the manufacturer of the product for the existence of warranties, if any, and their fulfillment.

7. All rights of the Secured Party under this Agreement shall inure to the benefit of its successors or assigns; and all obligations of the Debtor shall bind the Debtor's heirs, executors, administrators, successors and assigns.

8. If there be more than one Debtor, their obligations under this Agreement shall be joint and several.

 All notices between the parties must be in writing and delivered or mailed certified, return receipt requested

9. Notices. All notices, demands or consents required or permitted under this Agreement shall be in writing and shall be delivered or mailed certified return receipt requested to the respective parties at the addresses set forth above or at such other address as such party shall specify to the other party in writing. Any notice required or permitted to be given by the provisions of this Agreement shall be conclusively deemed to have been received on the day it is delivered to that party by U.S. Mail with Acknowledgment of Receipt or by any commercial courier providing equivalent acknowledgment of receipt.

Understood, Agreed & Accepted

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

Debtor

[Company] – Secured Party

By

[Owner/Founder

Title

Title