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## **SECURITY AGREEMENT**

*State of Alabama*

This Security Agreement is made effective as of the following date: \_\_\_\_\_, by and between the following debtor (the "Debtor"):

\_\_\_\_\_  
of  
\_\_\_\_\_

and the following lender (the "Secured Party"):

\_\_\_\_\_  
of  
\_\_\_\_\_

The Parties to this Agreement agree to the following:

### **I. CREATION OF SECURITY INTEREST.**

1. The Secured Party shall secure the payment and performance of Debtor's promissory note in the principal amount of \$2 (two US dollars), signed on \_\_\_\_\_, and the payment and performance of all other liabilities and obligations of Debtor to Secured Party of every kind and description, direct or indirect, absolute or contingent, due or to become due now existing or hereinafter arising.

2. In addition, Debtor hereby grants to Secured Party a security interest in the Collateral

described in the section entitled "Collateral" to secure the performance or payment of the obligations of Debtor to Secured Party under the section entitled "Warrants and Covenants."

## **II. COLLATERAL.**

3. The Collateral of this Security Agreement is as follows:

\_\_\_\_\_

## **III. SECURITY INTEREST.**

4. Debtor grants to Secured Party a security interest in the above-described collateral now or hereafter placed upon their premises (the "Premises") located at the following address:

\_\_\_\_\_

## **IV. WARRANTS AND COVENANTS.**

5. Debtor hereby warrants and covenants the following:

- a. Debtor shall pay to Secured Party the sum or sums evidenced by the promissory note or notes executed pursuant to this Security Agreement in accordance with the terms of the note or notes.
- b. The collateral shall not be removed from the Premises other than in the ordinary course of business.
- c. The collateral is free and clear of any encumbrances, unless otherwise agreed to by all Parties.
- d. Debtor will immediately notify Secured Party in writing of any change in Debtor's address.
- e. The Debtor has all necessary and required authority to engage in this arrangement and submit to the terms of this Agreement.

## **V. DEFAULT.**

6. The Debtor shall be in default under this Agreement upon any noncompliance with or nonperformance of the Debtor's obligations under this Agreement.

7. The following events constitute default of this Agreement:

- a. Debtor's failure to pay the Principal Amount or any accrued interest when such payments are due;
- b. Debtor's insolvency;
- c. Debtor's death, incompetency; liquidation, or dissolution;
- d. Debtor's making of a general assignment for the benefit of Borrower's creditors;
- e. Debtor's filing of any bankruptcy proceedings;
- f. Any application for the appointment of a receiver for Debtor; or
- g. Debtor's misrepresentation to Lender for the purposes of obtaining this Note.

8. Upon default and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable and shall have the remedies of a Secured Party under the law.

## **VI. WAIVER.**

9. No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion.

## **VII. NOTICES.**

10. Any notices required to be given under this Agreement by either party to the other may be effected by personal delivery in writing or by registered or certified mail, postage prepaid, return receipt requested.

11. A notice shall be deemed communicated as of the time of delivery if personally delivered, or as of the time of mailing.

12. The Parties shall be contacted in the following manner:

Debtor: \_\_\_\_\_

Lender: \_\_\_\_\_

13. Either party may change its address for the purpose of receiving notices by giving the other party written notice of the change.

## VIII.

## IX. MISCELLANEOUS.

14. This Agreement constitutes the sole and only agreement of the Parties and supersedes any prior understandings or written or oral agreements between the Parties respecting the subject matter of this Agreement.

15. This Agreement will inure to the benefit of and be binding upon the respective successors, assigns, heirs, executors and/or administrators of Debtor and Secured Party.

16. This Agreement may be amended by the Parties only by a written agreement.

17. Headings to this Agreement are for convenience only and shall not be construed to limit or otherwise affect the terms of this Agreement.

18. In the event any provision of this Agreement is held to be invalid, illegal, or unenforceable for any reason, then the Parties agree that such provision shall be deemed to be struck and the remainder of the Agreement shall be enforced as if the struck provision were never included in the Agreement.

### **EXECUTION:**

IN WITNESS WHEREOF, the Parties are bound by the Agreement as follows:

\_\_\_\_\_  
\_\_\_\_\_, *Debtor*

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Date

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\_\_\_\_\_, *Secured Party*

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Date