

Personal Property Security Agreement

(This form is intended for use in Washington State consumer transactions and for related personal property specified in Exhibit A; it is not intended for general use in commercial or business transactions. Typically the Washington State Limited Practice Officer will find this agreement useful in residential appliance, vehicle and mobile home secured transactions.)

This Security Agreement (this "Agreement") is made as of the date (the "Effective Date") set forth in Exhibit A attached to and incorporated into this Agreement, by the debtor(s) indicated shown in Exhibit A (individually and collectively, whether one or more in number, and jointly and severally if more than one, referred to herein as "Debtor") for the benefit of the secured party shown in Exhibit A (individually and collectively, whether one or more in number, referred to herein as "Secured Party").

This Agreement is entered into in connection with Debtor's promissory note or other evidence of indebtedness to Secured Party described in Exhibit A, and dated, in the original principal amount and with the final maturity all as shown in Exhibit A (the "Indebtedness").

Debtor agrees as follows for the benefit of Secured Party as follows:

1. Certain Definitions. As used in this Agreement:

- (a) "Collateral" means all of the personal property of Debtor listed on Exhibit A, together with:
 - (1) all present and future substitutions, replacements, appurtenances and accessions relating to any of such property and all property with which such property is commingled;
 - (2) all of the books and records pertaining to any of the property described on Exhibit A; and
 - (3) all proceeds of the property listed on Exhibit A; and
 - (4) all amounts now and in the future owed by Secured Party or any affiliate of Secured Party to Debtor and/or on deposit in any account maintained by Debtor with Secured Party or any affiliate of Secured Party.
- (b) "Event of Default" has the meaning set forth in Section 6 of this Agreement.
- (c) "Obligations" means all of the following:
 - (1) Debtor's obligations under the Indebtedness, this Agreement, and all other agreements and instruments executed and delivered by Debtor and/or by any other Obligor or person, singly or jointly as evidence of, security for, as guaranty or otherwise in connection with the Obligations of Debtor to Secured Party, including any costs of collection;
 - (2) the repayment of any amounts that Secured Party may advance or spend for the maintenance or preservation of the Collateral and any other expenditures that Secured Party may make under the provisions of this Agreement or for the benefit of Debtor;
 - (3) all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations; and
 - (4) any of the foregoing that arises after the filing of a petition by or against Debtor under the Bankruptcy Code.
- (d) "Obligor" means individually and collectively Debtor, each person primarily or secondarily liable for repayment of any of the Obligations, and each party who has granted security for repayment of the Obligations.
- (e) "UCC" means the Washington Uniform Commercial Code (RCW 62A.9A-101et. seq.). Any term defined in the UCC and not defined in this Agreement has the meaning given to that term in the UCC.

2. Grant of Security Interest. Debtor grants a security interest in the Collateral to Secured Party to secure the payment and performance of the Obligations.

Debtor's initials _____

3. Further Assurances. Debtor at its expense will take all actions necessary or appropriate to maintain Secured Party's security interest under this Agreement as a fully-perfected first-priority security interest, including:
- (a) Filing of financing statement. Debtor authorizes Secured Party to file a financing statement (the "Financing Statement") describing the Collateral and any agricultural liens or other statutory liens held by Secured Party.
 - (b) Possession. Debtor will deliver to Secured Party possession of any of the Collateral, a security interest in which can be perfected, or first-lien priority of which can be assured, only by possession. Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party.
 - (c) Control. Debtor will execute one or more control agreements and otherwise cooperate with Secured Party in obtaining control (as defined in the UCC) with respect to any and all Collateral consisting of deposit accounts, investment property, letter of credit rights or electronic chattel paper.
4. Post-Closing Covenants and Rights Concerning the Collateral. Until the Obligations are paid and performed in full Debtor agrees:
- (a) to pay the Obligations when and as due and perform and observe the terms and Conditions of the Obligations binding on Debtor;
 - (b) to maintain the Collateral in good repair and operating condition;
 - (c) to comply with all laws relating to the use, operation and ownership of the Collateral and to which the Collateral or Debtor is subject;
 - (d) to pay all fees and taxes and assessments to which Debtor or the Collateral is subject;
 - (e) to keep the Collateral within the state and at the addresses shown on Exhibit A as the Current location of the Collateral (except only for typical normal routine use of any vehicular Collateral within the state), and Debtor will not do anything requiring registration of a vehicle in another state;
 - (f) to maintain the principal residence, and chief executive office (if applicable), of Debtor at the address indicated on Exhibit A;
 - (g) that Secured Party may inspect any Collateral at any time upon reasonable notice.
 - (h) that the Collateral will remain personal property at all times, and without the prior written consent of Secured Party Debtor will not affix any of the Collateral to any real property in any manner that would change its nature from that of personal property to real property or to a fixture.
 - (i) that Debtor has all risk of loss of the Collateral.
 - (j) that Secured Party does not authorize, and Debtor agrees not to:
 - (1) make any sales or leases of any of the Collateral except for sales of inventory in the ordinary course of business while no Event of Default exists;
 - (2) license any of the Collateral to any other person or entity; or
 - (3) create or permit the existence of any other lien or security interest in any of the Collateral other than inchoate liens securing property taxes that are not delinquent.
 - (k) that Debtor will keep the tangible Collateral insured for its full replacement value and provide Secured Party with an endorsement to the policy naming Secured Party as the first loss payee and an additional insured thereunder, and otherwise insure the Collateral and Debtor's use of the Collateral in such forms, coverages and amounts, and with such insurers, as Secured Party may approve or require. All insurance proceeds shall be payable to Secured Party and all policies or certificates of insurance shall be furnished to Secured party evidencing among other things not less than 30 day's prior notice of cancellation to be given Secured Party. Secured party is hereby irrevocably
 - (1) appointed Debtor's attorney in fact to adjust, settle and cancel insurance and endorse any draft or check payable to Debtor, and to collect proceeds of insurance or returned premiums, and

Debtor's initials _____

- (2) authorized to apply such proceeds in the same manner and order as proceeds of sale or other disposition of Collateral are applied pursuant to Section 8 hereof.
- (l) that to the extent Debtor uses the proceeds of any of the Obligations to purchase Collateral, Debtor's repayment of the Obligations will apply on a "first-in-first-out" basis so that the portion of the proceeds used to purchase a particular item of Collateral will be paid in the chronological order the Debtor purchased the item.
- (m) that if Debtor is a corporation, partnership, limited liability company or other legal entity, Debtor will preserve its existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets; and Debtor will not change Debtor's name without providing Secured Party with 30 days' prior written notice of the change.
- (n) that Secured Party shall have the right, but not the obligation, to pay amounts on behalf of Debtor to cause compliance with any terms of this Agreement or the Obligations, including without limitation discharge of liens and encumbrances, and payment of maintenance costs, insurance premiums and tax obligations, and Debtor shall reimburse Secured Party on demand for all such amounts paid by Secured Party. Secured Party may in its discretion add such amounts to the unpaid principal balance of the Obligations and charge interest at the highest rate charged on the Obligations.
- (o) that Debtor authorizes Secured Party to request other secured parties of Debtor to provide accountings, confirmations of Collateral, and confirmations of statements of account concerning Debtor, and Debtor hereby designates and appoints Secured Party and its designees as attorney in fact of Debtor, irrevocably and with power of substitution, with authority to endorse Debtor's name on requests to other secured parties of Debtor regarding such information.
- (p) that if any Collateral shall mature or otherwise become payable Secured Party may cause the same to be renewed or reinvested under such terms as Secured Party may reasonably determine. Secured Party shall have the right to receive and apply in its discretion to any of the Obligations as Secured Party may determine any money or property payable on account of any sale, assignment or transfer of any Collateral. Secured Party shall have no duty or liability to collect any cash or other property or give any notices respecting same or protect or preserve any rights pertaining to the Collateral.

5. Debtor's Representations and Warranties. Debtor represents and warrants to Secured Party as follows:

- (a) Title to Collateral. The Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement.
- (b) Location of Collateral. All Collateral consisting of goods is located solely at the Debtor address(es) shown on Exhibit A
- (c) Debtor's Address. The correct current residence address (and chief executive office, if applicable) of Debtor is as shown on Exhibit A.
- (d) Place of Organization. If debtor is an entity such as an LLC or limited partnership, the place of formation is and shall at all times remain the State of formation as shown in Exhibit A.

6. Events of Default. The occurrence of any of the following will be an "Event of Default":

- (a) Failure to pay or perform. Debtor's failure to pay any sum when due under, or to comply with any of the provisions of, the Obligations; or
- (b) Breach of Warranty. The incorrectness when made of any representation or warranty contained in this Agreement, in the Obligations, or in any of the other documents relating thereto; or
- (c) Damage or encumbrance of Collateral. The attachment, execution, levy, loss, theft, damage, destruction, sale or encumbrance respecting any of the Collateral (unless such event is fully insured and the loss payable actually satisfies the obligations in favor of Secured Party as required by this Agreement); or

Debtor's initials _____

- (d) Acceleration of Indebtedness. Any event which results in the acceleration of the maturity of the indebtedness of Debtor to others under any indenture, agreement or undertaking other than the Obligations; or
 - (e) Death of Obligor. The death of Debtor or any other Obligor; or
 - (f) Insolvency. Debtor or any other Obligor voluntarily or involuntarily becomes subject to any proceeding under the Bankruptcy Code or any receivership, composition, assignment for benefit of creditors or other insolvency proceeding; or
 - (g) Non-compliance with certain laws. Debtor's failure to comply with any federal, state or local
 - (1) hazardous waste or environmental law,
 - (2) asset forfeiture or similar law that can result in the forfeiture of property, or
 - (3) other law where noncompliance may have any material effect on the Collateral.
7. Default Costs. Without limiting Section 4(n), if an Event of Default occurs, Debtor will pay to Secured Party within ten days after written demand all costs reasonably incurred by Secured Party for the purpose of enforcing its rights under this Agreement, including:
- (a) costs of foreclosure or other disposition of the Collateral, protection of the Collateral and preparation of the Collateral for sale or other disposition;
 - (b) costs of obtaining money damages; and
 - (c) a reasonable fee for the services of attorneys retained by Secured Party for any purpose related to this Agreement or the Obligations, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration, including legal fees and costs incurred in bankruptcy proceedings.
8. Remedies Upon Default. While any Event of Default exists, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC) or in equity to collect or enforce the Obligations, including the following:
- (a) Acceleration. Secured Party may at its option declare all or any part of the unpaid Obligations, together with all accrued and unpaid interest, and including expenses of retaking, holding, preparing for sale, selling or the like and Secured Party's reasonable attorney fees and legal expenses, to be immediately due and payable without presentment, demand or notice, which are hereby waived by each Obligor.
 - (b) Litigation. Secured Party may file suit and obtain judgment, and, in conjunction with any action, may seek any ancillary remedies provided by law, including receivership, levy of attachment and garnishment, and Debtor waives any requirement for a bond or other security in connection therewith.
 - (c) Repossession of Collateral. Secured Party may take possession of any Collateral not already in its possession without demand and without legal process. Upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as Secured Party may direct. Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located. If Secured Party takes possession of the Collateral, Secured Party shall not be responsible for any of Debtor's or any other person's property not covered by this Agreement and left inside the Collateral. Secured Party will hold all such property at Debtor's sole risk and expense, including storage charges, and without liability on Secured Party's part. If Debtor does not redeem any such property within 90 days after repossession, Secured Party may dispose of it in any manner Secured Party deems appropriate for such purposes and subject to any applicable laws. Secured Party and its agents are irrevocably appointed Debtor's true and lawful attorneys in fact to make all necessary transfers of the Collateral upon resale after possession, in Debtor's name and stead.
 - (d) Setoff. Secured Party may exercise its right of setoff against any money, funds, credits or other property of any nature whatsoever of Debtor or any other Obligor now or hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with Secured Party or any affiliate of Secured Party in any capacity whatsoever.

Debtor's initials _____

- (e) Sale or Lease of Collateral. Without taking possession, Secured Party may sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.
- (f) Collection of Collateral. Secured Party may collect any accounts or obligations constituting a part of the Collateral and settle or compromise with any obligor thereof in Secured Party's discretion.

All payments made by Debtor or any Obligor may be applied by Secured Party to any of the obligations, matured or unmatured, as Secured Party may determine in its sole but reasonable discretion, unless otherwise required by applicable law.

9. Foreclosure Procedures.

- (a) No Waiver. No delay or omission by the Secured Party to exercise any right or remedy accruing upon any Event of Default will
 - (1) impair any right or remedy,
 - (2) waive any default or operate as an acquiescence to the Event of Default, or
 - (3) affect any subsequent default of the same or of a different nature.
- (b) Notices of Sale. Secured Party will give Debtor such notice of any private or public sale as may be required by the UCC. Ten days notice of a sale or other disposition of the Collateral will be deemed to be commercially reasonable notice.
- (c) Condition of Collateral. Secured Party has no obligation to clean-up, repair or otherwise prepare or process the Collateral for sale.
- (d) Compliance With Laws. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.
- (e) Warranties-Disclaimer. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- (f) Sales on Credit. All sales or other dispositions of the Collateral may be made for cash, upon credit or for future delivery. If Secured Party sells any of the Collateral on credit, Debtor will be credited only with net payments thereon actually received by Secured Party. Secured party shall have no obligation to delay any disposition of the collateral because the same may result in imposition of a forfeiture premium or penalty, Debtor hereby acknowledging that risks of such matters are inherent in granting a security interest in the Collateral to Secured Party.
- (g) No Marshaling. Secured Party has no obligation to marshal any assets in favor of Debtor or any other person or entity, or to sell the Collateral in any particular order.
- (h) No Obligation to Pursue Others. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person or entity liable for them and Secured Party may release, modify or waive any collateral provided by any other person or entity to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any other person or entity for any of the Obligations.

10. Miscellaneous.

- (a) Assignment. This Agreement will bind and will inure to the benefit of the heirs, legatees, executors, administrators, successors, and assigns of Secured Party and will bind all persons who become bound as a debtor to this Agreement. Secured Party may assign its right or interest under this Agreement. If such an assignment is made, Debtor will render performance under this Agreement to the assignee.
- (b) Severability. If any provision of this Agreement is found to be void, invalid or unenforceable by a court or panel of arbitrators of competent jurisdiction, that finding will only affect the provisions found to be void, invalid or unenforceable and will not affect the remaining provisions of this Agreement.
- (c) Notices. Any notices required by this Agreement will be deemed to be delivered when

Debtor's initials _____

- (1) deposited in any United States postal box if postage is prepaid and the notice is properly addressed to the intended recipient,
- (2) received by telecopy, or
- (3) personally delivered to the recipient. Notices shall be addressed to the recipient at the address for such party shown in Exhibit A, or such other address of such party which may from time to time be mutually acknowledged in writing as the notice address for such party.
- (d) Headings. Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and will not be used in construing it.
- (e) Governing Law. This Agreement will be construed and enforced in accordance with the internal laws of the State of Washington except to the extent that the UCC provides for the application of the law of another jurisdiction.
- (f) Rules of Construction. No reference to “proceeds” in this Agreement authorizes any sale, transfer, or other disposition of the Collateral by the Debtor. As used in this Agreement, “includes” and “including” are not limiting, “or” is not exclusive, “all” includes “any” and “any” includes “all.”
- (g) Integration and Modifications. This Agreement is the final expression of the entire agreement of Debtor and Secured Party concerning its subject matter. Any modification to this Agreement must be made in writing and signed by the party adversely affected.
- (h) Further Assurances. Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence or perfect the security interests granted in this Agreement, to maintain the first priority of such security interests, or to effectuate the rights granted to Secured Party in this Agreement.

DATED as of the Effective Date.

DEBTOR:

Debtor's initials _____

EXHIBIT A to SECURITY AGREEMENT

Effective Date of Security Agreement: _____, _____.

Parties:

Debtor: _____

Address: _____

Secured Party: _____

Address: _____

If the debtor is a corporation, limited liability company, or limited partnership, then the place of incorporation or place of formation is: _____.

Secured Obligations of Debtor to Secured Party

1. Debtor's promissory note to Secured Party secured by this agreement:

Dated: _____

Amount: _____

Final maturity date: _____

2. Other Debtor obligations to Secured Party secured by this Agreement (*describe*): _____

Debtor's initials _____

Description of Collateral:

[**ALTERNATIVE 1 - For security interest in all of Debtor's personal property:**]

All personal property of Debtor, wherever located, and whether now owned or hereafter acquired, including all:

- (i) accounts;
- (ii) chattel paper;
- (iii) inventory;
- (iv) equipment;
- (v) instruments, including promissory notes;
- (vi) investment property;
- (vii) documents;
- (viii) deposit accounts;
- (ix) letter of credit rights;
- (x) general intangibles;
- (xi) supporting obligations;
- (xii) farm products; and
- (xiii) to the extent not listed above as original collateral, proceeds and products of the foregoing.

If deposit accounts are included, list depositing institution and consult an attorney for steps to perfect.

* * * * *

[**ALTERNATIVE 2 - For security interest only in selected property of Debtor:**]

All of the following personal property of Debtor, wherever located, and whether now owned or hereafter acquired, and all proceeds and products thereof : (Consult an attorney for steps to attach and perfect.)

- motor vehicles: _____
- mobile home: _____
- manufactured housing: _____
- farm products: _____
- equipment: _____
- timber to be cut (*Provide or attach legal description of real property having timber*): _____
- goods to become fixtures (*Provide or attach legal description of real property to which annexed*): _____
- consumer goods (Debtor certifies that the obligation secured by this agreement is, and that the Collateral is, used primarily for personal, family and household purposes) (*Describe collateral with specificity*): _____
- boat (*If documented with the Coast Guard, consult an attorney for attachment and perfection*): _____
- aircraft: (*Consult an attorney for attachment and perfection*): _____
- other personal property (*Describe*): _____

* * * * *

Debtor's initials _____

Additional Required Data

1. Debtor is :

an individual, or

a _____
(describe Debtor entity) organized in (state): _____

2. Debtor residence [*chief executive office, if applicable*] location: _____

3. Location of collateral (*State, county, street address*): _____

3a. If collateral is in the hands of a third party bailee (such as a warehouseman), list bailee and consult an attorney for steps to perfect.

4. Address for notices and communications:

To Debtor: _____

phone: _____

fax: _____

telecopy: _____

email: _____

To Secured Party: _____

phone: _____

fax: _____

telecopy: _____

email: _____

(End of Exhibit A)

Debtor's initials _____

