**SECURED LOAN AGREEMENT**

Agreement made \_\_\_\_\_\_\_\_\_\_\_\_19\_\_\_ between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*(address)*, in this agreement referred to as debtor, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(address)*, in this agreement referred to as secured party.

In consideration of the mutual covenants and promises in this agreement contained, debtor and secured party agree:

SECTION ONE: Agreement For Loan; Terms

1.1. Secured party shall loan to debtor and debtor shall borrow from secured party, on or before \_\_\_\_\_\_\_\_\_\_\_\_19\_\_\_, the sum of \_\_\_\_\_\_\_\_\_\_ Dollars.  At the time the loan is made, debtor shall execute, as evidence of the indebtedness hereunder, a \_\_\_\_\_\_\_\_\_\_ *(term)* note in a form similar to that attached to this agreement as Exhibit \_\_\_\_\_\_\_\_\_\_ and made a part hereof by this reference. Such loan shall be subject to the terms and conditions of this agreement.

1.2. The indebtedness evidenced by the note shall be repaid in \_\_\_\_\_\_\_\_\_\_ *(number)* principal installments of \_\_\_\_\_\_\_\_\_\_ Dollars each, payable \_\_\_\_\_\_\_\_\_\_ *(monthly)*, commencing on \_\_\_\_\_\_\_\_\_\_\_\_19\_\_\_, until \_\_\_\_\_\_\_\_\_\_\_\_19\_\_\_, when the entire unpaid balance of principal and interest shall be due and payable. In addition to the above required payments on principal, debtor shall pay interest on each installment date on the unpaid principal balance of the note outstanding at a rate of \_\_\_\_\_\_\_\_\_\_ percent above the prime interest rate of secured party for \_\_\_\_\_\_\_\_\_\_ *(commercial)* borrowers as such rate may vary from time to time, but not less than \_\_\_\_\_\_\_\_\_\_ percent nor more than \_\_\_\_\_\_\_\_\_\_ percent per annum. Interest shall be computed on a daily basis using a year of 365 days, and in such computation effect shall be given daily to any change in the interest rate resulting from a change in such prime rate.

1.3. In addition to the payments required by Section 1.2, debtor shall make additional principal payments on the note within \_\_\_\_\_\_\_\_\_\_ days after the end of each of its fiscal years, commencing with the fiscal year ending \_\_\_\_\_\_\_\_\_\_\_\_19\_\_\_, in aggregate amount equal to \_\_\_\_\_\_\_\_\_\_ percent of a figure computed by deducting from net earnings of debtor for such fiscal year (after federal income taxes have been deducted and after depreciation and amortization charges have been deducted in accordance with generally accepted principals of accounting) all installments paid on the note pursuant to Section 1.2, during such fiscal year.

1.4. In the event that the real property of debtor located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(address)*, is sold pursuant to SECTION FIVE, debtor shall forthwith pay to secured party not less than \_\_\_\_\_\_\_\_\_\_ percent of the net sales proceeds received for the real property, which sum shall be applied to the indebtedness hereunder in accordance with the provisions of Section 1.6.

1.5. All sums payable by debtor hereunder are to be first applied to reduce or repay the present indebtedness of debtor to secured party, if any such indebtedness shall exist at time of borrowing.

1.6. The indebtedness may be prepaid at any time in whole or in part without premium. Any partial prepayment hereunder shall be applied to the installments of the note in inverse order of their maturities.

SECTION TWO: Security

As security for all indebtedness of debtor to secured party hereunder and pursuant to the note as in this agreement provided, debtor shall execute and deliver to secured party prior to or simultaneously with the initial making of the loan hereunder, in a form satisfactory to secured party \_\_\_\_\_\_\_\_\_\_ *(if corporate debtor, add: and supported by appropriate resolution authorizing the same)* the following:

A. The following security \_\_\_\_\_\_\_\_\_\_ *(agreement or agreements)* to be executed in accordance with \_\_\_\_\_\_\_\_\_\_ *(cite local enactment of UCC Article 9).*

\_\_\_\_\_\_\_\_\_\_ (Add one or more of the following paragraphs, as appropriate:

 (1) An assignment of the life insurance policy in the amount of \_\_\_\_\_\_\_\_\_\_\_\_ Dollars ($\_\_\_\_\_\_\_\_\_\_) on the life of \_\_\_\_\_\_\_\_\_\_ (insured) issued by \_\_\_\_\_\_\_\_\_\_\_\_ (insurer), policy number \_\_\_\_\_\_\_\_\_\_, which policy has a present cash surrender value of \_\_\_\_\_\_\_\_\_\_ Dollars ($\_\_\_\_\_\_\_\_\_\_) or more.

 (2) A security agreement in the form of a pledge, pledging to secured party, accompanied by physical delivery of and granting to secured party a first priority security interest in all of the stocks, bonds, instruments and documents of title, whether negotiable or nonnegotiable owned by debtor, including but not limited to \_\_\_\_\_\_\_\_\_\_ (specify).

 (3) A security agreement covering leases and leased goods, granting to secured party a first priority security interest in all chattel leases in which debtor is lessor, present and future, and all goods and inventory relating thereto.

 (4) A security agreement pertaining to tangible personal property owned by debtor, granting to secured party a first priority security interest in, and pertaining to all of the machinery and equipment, furniture and fixtures, and other tangible personal property of debtor, whether then owned or thereafter acquired by debtor.

(5) A security agreement pertaining to equipment and fixtures owned by debtor, granting to secured party a first priority security interest in all installed equipment and fixtures of debtor, then owned or thereafter acquired*.*

*(6*) A security agreement pertaining to accounts receivable \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (and contract rights), chattel paper and inventory, in a form satisfactory to secured party, granting to secured party a first priority security interest in all of the present and future accounts receivable of debtor \_\_\_\_\_\_\_\_\_\_ (and contract rights), chattel paper, inventory, general intangibles and instruments, and such additional documents as relate thereto or shall be required by the terms of such security agreement or this agreement*.*

*(7*) A security agreement pertaining to inventory of debtor, or other appropriate lien instrument or instruments, in form satisfactory to secured party, granting to secured party a lien on all of the inventories, including raw materials, work in process and finished goods of every nature and description, whether then owned or thereafter acquired by debtor.)

B. A guaranty agreement given by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(guarantor)*, guaranteeing to secured party the repayment of indebtedness of debtor hereunder.

C. A subordination agreement, subordinating in favor of secured party the sum of \_\_\_\_\_\_\_\_\_\_ Dollars owed by debtor to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(designate)*, and providing to secured party a security interest in such obligation and in any and all security therefor.

D. Such financing statements as may be required or requested by secured party to perfect all security interests to be conferred on secured party under this agreement and to accord secured party a perfected first priority security position under \_\_\_\_\_\_\_\_\_\_ *(cite local enactment of UCC Article 9).*

E. Such documents or certificates as may be requested by secured party, are required under the terms of any and every security agreement, or both.

F. Such other documents or agreements of security and appropriate assurances of validity and perfected first priority of lien or security interest as secured party may request at any time, including, but not limited to, such additional security as is contemplated by the provisions of SECTION FOUR.

SECTION THREE: Representations and Warranties of Debtor

3.1. Debtor represents and warrants as follows, such representations and warranties to be deemed continuing representations and warranties during the entire term of this agreement:

 (a) This agreement, the security agreements and other documents and instruments required hereunder, and the note provided for in this agreement, when issued and delivered, will all be valid and binding in accordance with their terms. \_\_\_\_\_\_\_\_\_\_ *(If corporate debtor, add: Debtor is a corporation duly organized and existing and in good standing under the laws of \_\_\_\_\_\_\_\_\_\_ (state), having its principal place of business at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (address) Execution, delivery and performance of this agreement, the security agreements and other documents and instruments required hereunder, and the issuance of the note provided for in this agreement are within its corporate powers, have been duly authorized, and are not in contravention of law or the terms of the \_\_\_\_\_\_\_\_\_\_ (articles or certificate) of incorporation or bylaws of debtor, and do not require the consent or approval of any governmental body, agency, or authority.)*

 (b) The execution, delivery and performance of this agreement, the security agreements and other documents and instruments required hereunder, and the issuance of the note required in this agreement is not in contravention of the unwaived terms of any indenture, agreement or undertaking to which debtor is a party or by which debtor is bound.

 (c) No litigation or other proceeding before any court or administrative agency is pending, or to the knowledge of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(debtor or the officers of debtor)* is threatened against debtor, the outcome of which could materially impair the financial condition of debtor or the ability of debtor to carry on business.

 (d) There are no security interests in or liens, mortgages or other encumbrances on any of the assets of debtor referred to in SECTION FOUR or any other assets of debtor, except to secured party or as permitted in this agreement.

 (e) The balance sheet of debtor dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(date),* previously furnished secured party, is complete and correct and fairly presents the financial condition of debtor. Since the date of such balance sheet, there has been no material adverse change in the financial condition of debtor. To the knowledge of \_\_\_\_\_\_\_\_\_\_ *(debtor or the officers of debtor)*, debtor has no contingent obligations, including any liability for taxes, not disclosed by or reserved against in such balance sheet and, at the time of execution of this agreement, there are no material unrealized or anticipated losses from any known commitment of debtor.

3.2. Debtor shall furnish secured party, in a form satisfactory to secured party, an opinion of counsel for debtor with respect to the legal matters referred to in Subsections 3.1(a) through 3.1(d). Such opinion shall be submitted prior to the making of an initial loan pursuant to this agreement.

SECTION FOUR: Affirmative Covenants of Debtor

Debtor covenants and agrees that debtor will so long as any indebtedness remains outstanding under this agreement:

4.1. Furnish secured party with the following:

 (a) Within \_\_\_\_\_\_\_\_\_\_ days after the execution of this agreement and as of the end of each of the fiscal years of debtor, a detailed audit report of debtor certified to by independent certified public accountants satisfactory to secured party.

 (b) Within \_\_\_\_\_\_\_\_\_\_ days after the execution of this agreement and as of the end of each of the fiscal years of debtor, a balance sheet and statement of profit and loss of debtor, certified by \_\_\_\_\_\_\_\_\_\_ (if appropriate, add: an authorized officer of) debtor.

 (c) Within \_\_\_\_\_\_\_\_\_\_ days and as of the end of each \_\_\_\_\_\_\_\_\_\_ *(month)* a certificate in the form of Exhibit \_\_\_\_\_\_\_\_\_\_ (C), attached to this agreement and made a part hereof by this reference.

 (d) Such information as is required by the terms and conditions of the security agreements or other documents or instruments of security referred to in this agreement.

 (e) Promptly, and in a form satisfactory to secured party, such other information as secured party may request from time to time.

4.2. Maintain, at all times, cash and current trade accounts receivable in an aggregate amount of not less than the total of all current liabilities of debtor as such total current liabilities may vary from time to time. For purposes of this agreement, “total current liabilities” means, without limiting the generality of the expression, all liabilities of debtor that are payable within any \_\_\_\_\_\_\_\_\_\_ (12) month period, including such liabilities and obligations of longer term to the extent of the current portion thereof that may mature within any \_\_\_\_\_\_\_\_\_\_ (12) month period.

4.3. Maintain net current assets of not less than \_\_\_\_\_\_\_\_\_\_ Dollars.  For purposes of this agreement, “net current assets” means the excess of current assets over current liabilities, computed in accordance with generally accepted principles of accounting, including in current liabilities all payments under the note provided for in this agreement that shall fall due within one year.

4.4. Maintain a tangible net worth of not less than \_\_\_\_\_\_\_\_\_\_ Dollars from and after \_\_\_\_\_\_\_\_\_\_ *(date)*, computed in accordance with generally accepted accounting practice.

4.5. Pay and discharge all taxes and other governmental charges, and all contractual obligations requiring the payment of money, before such become overdue, unless and to the extent only that such payment is being contested in good faith.

4.6. Maintain insurance coverage on the physical assets of debtor and against other business risks in such amounts and of such types as are customarily carried by companies similar in size and nature to that of debtor, and in the event of acquisition of additional property, real or personal, or of incurring additional risks of any nature, increase such insurance coverage in such manner and to such extent as prudent business judgment and present practice dictate. In the case of all policies of insurance covering property mortgaged or pledged to secured party or property in which secured party shall have a security interest of any kind whatsoever, other than those policies of insurance protecting against casualty liabilities to strangers, all such policies of insurance shall provide that the loss payable thereunder shall be payable to secured party and debtor as their respective interests may appear. All such policies of insurance or copies thereof, including all indorsements thereon and those required hereunder, shall be deposited with secured party.

4.7. Permit secured party through its authorized attorneys, accountants and representatives, to examine the books, accounts, records, ledgers and assets of every kind and description of debtor at all reasonable times on oral or written request of secured party.

4.8. Promptly notify secured party of any condition or event that constitutes, or with the running of time or the giving of notice will constitute, a default under this agreement, and promptly inform secured party of any material adverse changes in the financial condition of debtor.

4.9. Pay to secured party for application on the indebtedness hereunder, in accordance with the provisions of SECTION ONE of this agreement, any payment received from \_\_\_\_\_\_\_\_\_\_ *(designate)* in payment of indebtedness to debtor.

4.10. Maintain in good standing all licenses required by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(state)* or any agency thereof, or other governmental authority that may be necessary or required for debtor to carry on its general business objects and purposes.

4.11. At any time on the request of secured party to execute and deliver to secured party, in form satisfactory to secured party, such additional documentation in respect of the indebtedness and liability of debtor to secured party contemplated under the terms of this agreement as secured party shall deem necessary or desirable to comply with the provisions or requirements of \_\_\_\_\_\_\_\_\_\_ *(cite local enactment of UCC Article 9)*, including, without limiting the generality of the foregoing, appropriate security agreements and financing statements.

4.12. Furnish secured party, on request by and in form satisfactory to it, \_\_\_\_\_\_\_\_\_\_ *(specify security instruments, such as: pledges, assignments, mortgages, lien instruments or other security agreements) pertaining to \_\_\_\_\_\_\_\_\_\_ (designate coverage, such as: any or all of the real or personal property of debtor of every nature and description, whether now owned or hereafter acquired,)* to the extent that secured party may in its sole discretion require.

SECTION FIVE: Negative Covenants of Debtor

Debtor covenants and agrees that so long as any indebtedness remains outstanding under this agreement that debtor will not, without the prior written consent of secured party:

5.1. Make any material change in the general business objects or purpose of debtor \_\_\_\_\_\_\_\_\_\_ *(if corporate debtor, add: or in its corporate structure or purchase, acquire, or redeem any of its capital stock).*

5.2. Sell, lease, transfer or dispose of all, substantially all, or any material part of the assets of debtor \_\_\_\_\_\_\_\_\_\_ *(if corporate debtor, add: or enter into any merger or consolidation)* except in the ordinary course of business, and except for the sale of real estate referred to in SECTION ONE, subject to payment to secured party as required by such section.

5.3. Guarantee, indorse or otherwise become secondarily liable for or on the obligations of others, except by indorsement for deposit in the ordinary course of business.

5.4. Become or remain obligated for any indebtedness for money loaned, or for any indebtedness incurred in connection with the acquisition of any property, real or personal, tangible or intangible, except:

 (a) Indebtedness to secured party.

 (b) Current trade, utility or non extraordinary accounts payable arising in the ordinary course of the business of debtor.

5.5. Purchase or become obligated for the purchase of any fixed assets in excess of \_\_\_\_\_\_\_\_\_\_ Dollars in aggregate for any fiscal year.

5.6. Purchase or otherwise acquire, or become obligated for the purchase of all or substantially all of the assets or business interests of any person, firm or corporation, or any shares of stock of any corporation, trust or association, or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition.

5.7. \_\_\_\_\_\_\_\_\_\_ *(If corporate debtor, provide: Declare or pay any dividends in excess of \_\_\_\_\_\_\_\_\_\_ Dollars annually, except dividends payable in capital stock of debtor.)*

5.8. Make or allow to remain outstanding any investment in, or any loans or advances to, any person, firm, corporation or other entity or association, except:

 (a) Advances to the officers of debtor not to exceed in aggregate at any one time the sum of \_\_\_\_\_\_\_\_\_\_ Dollars.

 (b) The currently outstanding \_\_\_\_\_\_\_\_\_\_ Dollars loaned to, and against the note or notes of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*(designate)*, provided that any and all payments thereon shall be paid over to secured party as set forth in SECTION ONE.

 (c) Indebtedness required to be subordinated hereunder.

5.9. Make or allow to be made any changes increasing or adding to the salary or remuneration of any kind of the officers of debtor \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(if corporate debtor, add: or directors)*, by which such salaries or remuneration shall be or become in excess of an aggregate annual amount of \_\_\_\_\_\_\_\_\_\_ Dollars.

5.10. Affirmatively pledge or mortgage any of the assets of debtor, whether now owned or hereafter acquired, or create or permit to exist any lien or encumbrance thereon or security interest therein, except to secured party.

5.11. Lease any real, personal or mixed property for a term longer than \_\_\_\_\_\_\_\_\_\_ years or providing for payments in excess of an aggregate of \_\_\_\_\_\_\_\_\_\_ Dollars in any year.

5.12. Sell or assign any account, note or trade acceptance receivable except to secured party.

1SECTION SIX: Default

6.1. On nonpayment, when due in accordance with the terms thereof, of any installment of the principal or interest on the note provided for in this agreement and continuance of such default for a period of \_\_\_\_\_\_\_\_\_\_ days, the note shall automatically become immediately due and payable.

6.2. On occurrence of any of the following events of default, or at any time thereafter unless such default is remedied, secured party may give notice to debtor declaring all outstanding indebtedness hereunder to be due and payable, whereupon all indebtedness then outstanding hereunder shall immediately become due and payable:

 (a) Default in observing or performing any of the covenants or agreements of debtor set forth in SECTIONS FOUR and FIVE.

 (b) Default in the observing or performing any of the other covenants or agreements of debtor in this agreement set forth, and continuance thereof for \_\_\_\_\_\_\_\_\_\_ days after notice to debtor of such default by secured party.

 (c) Falsity of any representation or warranty made by debtor in this agreement, or in any instrument submitted pursuant to this agreement, in any material respect.

 (d) Default in observing or performing any of the covenants or agreements of debtor set forth in any collateral document of security given to secure indebtedness hereunder, and the continuation of such default beyond any period of grace specified in any such document.

 (e) Default in the payment of any other obligation of debtor for money loaned, or in observing or performing any covenants or agreements given with respect thereto.

 (f) Any change, for any reason whatsoever, in the management, ownership or control of debtor that shall in the sole judgment of secured party adversely affect future prospects for the successful operation of debtor.

 (g) If a committee of creditors is appointed for the business of debtor; debtor makes a general assignment for the benefit of creditors, is adjudicated bankrupt, or files a voluntary petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors; debtor files an answer to a petition by creditors or other petition filed against debtor, admitting the material allegations thereof for an adjudication in bankruptcy or for a reorganization; debtor applies for or permits the appointment of a receiver or trustee or custodian for any of the property or assets of debtor; such receiver, trustee or custodian is appointed for any of the property or assets of debtor, otherwise than on application or consent of debtor, and such receiver, trustee or custodian so appointed is not discharged within \_\_\_\_\_\_\_\_\_\_ days after the date of appointment; or an order is entered, and is not dismissed or stayed within \_\_\_\_\_\_\_\_\_\_ days from entry, approving any petition for reorganization of debtor.

SECTION SEVEN: Remedies

On any default hereunder, and at any time thereafter, secured party shall have the rights and remedies of a secured party under \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(cite local enactment of UCC Article 9)* in addition to the rights and remedies provided in this agreement or in any other instrument or paper executed by debtor.

SECTION EIGHT: Waiver; Rights of Secured Party Cumulative

No delay or failure of secured party in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or privilege. The rights of secured party under this agreement are cumulative and not exclusive of any right or remedy that secured party would otherwise have.

SECTION NINE: Notice

All notices to secured party with respect to this agreement shall be deemed to be completed on mailing \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(by certified mail)* to offices of debtor at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(address).*

SECTION TEN: Effect of Agreement

This agreement shall become effective on the execution hereof by secured party and debtor and shall be binding on and shall inure to the benefit of secured party and debtor and their respective successors and assigns.

SECTION ELEVEN: Governing Law

This agreement shall be construed in accordance with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(cite local enactment of UCC Article 9)* and other applicable laws of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*(state)*.

In witness whereof, the parties have executed this agreement at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(designate place of execution)* the day and year first above written.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_                             \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature                                                                   Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_                             \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature                                                                   Date