

INSTRUCTIONS
SECURITY AGREEMENT (SBA FORM 1059)

This revised version of SBA's Security Agreement complies with the revisions to Article 9 of the Uniform Commercial Code (UCC) effective July 1, 2001.

A. Use of this Form.

1. 7(a) loans. Use of this SBA Form 1059 is optional for 7(a) loans
2. 504 loans. Use of this SBA Form 1059 is mandatory for 504 loans. However, Certified Development Companies (CDCs) may substitute a provision or provisions in the Form, but only to the extent that the CDC's counsel issues a legal opinion to SBA concluding that use of the provision(s) in question would conflict with State law and would jeopardize the security interest securing the loan. CDCs may also use a different security agreement, but only to the extent that the CDC's counsel issues a legal opinion to SBA concluding that use of the form, in its entirety, would conflict with State law and would jeopardize the security interest securing the loan. In both cases, the CDC's counsel also must issue an opinion that the version of security agreement being used is legally enforceable and will protect the security interest securing the loan.
3. Type of collateral. This SBA Form 1059 is NOT appropriate for use for Collateral that may be consumer goods, i.e. goods used or bought for use primarily for "personal, family, or household purposes."

B. Completing the Form. Fill out the form where indicated. Complete the terms in accordance with the Authorization.

C. Information Grid. Fill out all spaces in the information grid at the top of the front page of the Security Agreement. Do not alter any part of the information grid except to insert information required to complete the form. Most information for the grid will come from the Authorization. The information in the Security Agreement must be consistent with the information in all other loan documents, for example, Authorization, Note, and Guaranties.

1. SBA Loan Number. Copy from the Authorization.
2. SBA Loan Name. Copy from the Authorization.
3. Debtor. The Debtor is the individual(s) or organization that owns or has an interest in, and is granting the security interest in, the Collateral described in the Security Agreement and that executes the Security Agreement. There may be more than one Debtor owning or having an interest in that Collateral. If the Debtor is a corporation, LLC, partnership, or other organization, insert the exact full legal name (as shown in the public records or organizational documents) of the organization. If the Debtor is an individual(s), insert the exact full legal name (as determined from available information about Debtor such as a birth certificate, government-issued ID card, driver's license or filed tax return) AND all other names commonly or frequently used by the Debtor (for example, Donald E. Smith, Don Smith, D.E. Smith). The name(s) of the Debtor in the information grid must be the same as in the signature block.
4. Borrower. Insert all Borrower names. Copy all Borrower names exactly from the Authorization. Where the Borrower is also the Debtor, the same name(s) should appear in both the "Debtor" and "Borrower" spaces in the information grid.

5. Secured Party. For 7(a) loans, insert the name of the Lender. For 504 loans, insert the name of the certified development company.
 6. Date. Insert the date the Debtor signs the Security Agreement.
 7. Note Amount. Copy the amount from the Note.
- D. Obligations Secured. In paragraph 3, fill in the blanks in the following order:
1. Date of Note. Insert the date of the Note.
 2. Name of Borrower. This name must match the Borrower name(s) in the information grid on the front page of the Security Agreement and on the Note.
 3. Payee. For 7(a) loans, insert the name of the Lender. For 504 loans, insert the name of the certified development company.
 4. Note Amount. Copy the amount from the Note.
- E. Collateral Description. Indicate the Collateral in which the security interest is granted by making an “X” or other mark on the applicable line(s). Do not use this SBA Form 1059 to obtain a security interest in Collateral that may be consumer goods, i.e. goods used or bought for use primarily for “personal, family, or household purposes.”
1. Letters “a” (equipment) or “b” (fixtures). If letters “a” or “b” are marked, please note that for SBA-guaranteed loans, the Authorization requires the Lender or CDC to obtain a list of all equipment and fixtures that are collateral for the loan. For items with a unit value of \$500 or more, the list must include a description and serial number, if applicable.
 2. Letters “j” (deposit accounts) and “k” (investment property). If letters “j” or “k” are marked, the Debtor also must execute a Control Agreement with the Lender and the bank in which the deposit account is maintained or securities intermediary in which there is a securities account. The bank or securities intermediary must subordinate to the Lender’s security interest any security interest that it may have in the deposit or securities account at any time. Lenders and CDCs should consult with counsel for further guidance.
 3. Letter “l” (titled motor vehicles). If the collateral consists of titled motor vehicles, including mobile or manufactured homes, list the make, model and serial number in the space provided.
- F. Perfection of Security Interest. Security interests created by this Security Agreement must be perfected as required under Article 9 of the UCC as in effect in the jurisdiction where the Debtor is located. Perfection generally requires the filing of a financing statement in the appropriate filing office in that jurisdiction designated by Article 9 of its UCC. Lenders and CDCs should consult with counsel for further guidance.
- G. Signature(s). Create the signature block at the end of the Security Agreement. The signature block must include the name of the Debtor, which must be exactly the same name(s) as shown in the “Debtor” space in the information grid. Lenders and CDCs should consult with counsel on how to complete an enforceable signature block that complies with applicable state law.