

**Letter of Credit Security Agreement  
Deposit Accounts**

Date: \_\_\_\_\_

**SUBJECT: Security Agreement for Use With Cash Secured Letters of Credit**

1. GRANT OF SECURITY INTEREST. As security for any and all Indebtedness of

\_\_\_\_\_ ("Debtors"),  
the undersigned \_\_\_\_\_ ("Pledgors"),  
hereby irrevocably and unconditionally grant a security interest in and assign and transfer the Deposit Accounts (as defined below) to CALIFORNIA BANK & TRUST ("Secured Party"). The Debtors and Pledgors may be the same person(s) hereunder.

2. INDEBTEDNESS. "Indebtedness" means all debts, obligations or liabilities in connection with Standby or Commercial Letters of Credit now or hereafter existing, absolute or contingent of Debtors or any one or more of them to Secured Party, whether voluntary or involuntary, whether due or not due, or whether incurred directly or indirectly or acquired by Secured Party by assignment or otherwise. Unless otherwise agreed in writing, "Indebtedness" shall not include such debts, obligations or liabilities which are or may hereafter be "consumer credit" subject to the disclosure requirements of the federal Truth-in-Lending law or any regulation promulgated thereunder.

3. DEPOSIT ACCOUNTS. For purposes of this agreement, "Deposit Accounts" means the following deposit account(s) opened by Pledgors with Secured Party, any renewals or rollovers thereof, and any proceeds thereof:

Deposit Account Number

\_\_\_\_\_

4. NO OTHER SECURITY INTERESTS. Pledgors hereby represent and warrant to Secured Party that they own each of the Deposit Accounts free and clear of any and all liens, encumbrances, or interests of any third parties other than the security interest of Secured Party, and that no other liens, encumbrances or interests of any third party shall be granted by Pledgors in the Deposit Accounts.

5. WITHDRAWALS, RENEWALS, ROLLOVERS. Pledgors shall not withdraw funds from the Deposit Accounts without Secured Party's prior written consent. Pledgors agree that, upon maturity of any Deposit Account with a maturity date, such Deposit Account shall be renewed at Secured Party's then prevailing rate of interest for successive ninety (90) day periods (or such other time period as may be agreed by Secured Party and Pledgors).

6. CERTIFICATES. Upon Secured Party's request, Pledgors shall deliver any certificate evidencing any of the Deposit Accounts to Secured Party, duly endorsed over to Secured Party, as necessary.

7. INTEREST PAYMENTS. Notwithstanding Secured Party's security interest in the proceeds of the Deposit Accounts, Secured Party will continue to pay to Pledgors interest accruing thereunder until the occurrence of an Event of Default under this Agreement.

8. COSTS. All advances, charges, costs and expenses, including reasonable attorney's fees, incurred or paid by Secured Party in exercising any right, power or remedy conferred by this Agreement or in the enforcement thereof, shall become a part of the Indebtedness secured hereunder and shall be paid to Secured Party by Debtors immediately and without demand, with interest thereon at an annual rate equal to the highest rate of interest of any Indebtedness secured by this Agreement.

9. EVENTS OF DEFAULT. At the option of Secured Party and without necessity of demand or notice, all or any part of the Indebtedness of Debtors shall immediately become due and payable irrespective of any agreed maturity upon the happening of any of the following events ("Events of Default"); provided, however, that all Indebtedness of Debtors automatically shall become due and payable if a bankruptcy petition is filed with respect to any Debtor: (a) failure to keep or perform any of the terms or provisions of this Agreement; (b) default in the payment of principal or interest or any other default with respect to any Indebtedness of Debtors; (c) the levy of any attachment, execution or other process against any of the collateral; (d) the death, insolvency, failure in business, commission of an act of bankruptcy, general assignment for the benefit of creditors, filing of any petition in bankruptcy or for relief under the provisions of the Bankruptcy Code, of, by, or against any Debtor or Pledgor or any comaker, surety or guarantor of the Indebtedness or any endorser of any note or other document evidencing the Indebtedness. Upon the happening of any of the foregoing specified events, any agreement for further financial accommodation by Secured Party shall terminate at its option.

10. REMEDIES. Upon the happening of any Event of Default, Secured Party may then exercise as to the Deposit Accounts all the rights, powers and remedies of an owner and all rights, powers and remedies of a secured party under the Uniform Commercial Code and other laws. Secured Party may charge any amounts due under the Indebtedness, without notice, against any funds in any Deposit Account.

11. WAIVERS. Pledgors waive any right to require Secured Party to (a) proceed against any person, (b) proceed against or exhaust any collateral, or (c) pursue any other remedy in Secured Party's power; and waive any defense arising by reason of any disability or other defense of any Debtor or any other person, or by reason of the cessation from any cause whatsoever of the liability of Debtors or any other person. Pledgors waive any right of subrogation, reimbursement, indemnification, and contribution (contractual, statutory or otherwise), including without limitation, any claim or right of subrogation under the Bankruptcy Code or any successor statute, arising from the existence or performance of this Agreement, and Pledgors waive any right to enforce any remedy which Secured Party now has or may hereafter have against Debtors or against any other person, and waive any benefit of, and any right to participate in, any security now or hereafter held by Secured Party. If any Pledgor is not also a Debtor with respect to a specified Indebtedness, such Pledgor authorizes Secured Party without notice or demand and without affecting Pledgors' liability hereunder from time to time to: (a) renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, such Indebtedness or any part thereon; (b) take and hold security, other than the collateral herein described for the payment of such Indebtedness or any part thereof, and exchange, enforce, waive and release the collateral herein described or any part thereof or any such other security; and (c) release or substitute Debtors, or any of the endorsers or guarantors of such Indebtedness or any part thereof, or any other parties thereto.

12. TRANSFER OF COLLATERAL. Upon the transfer of all or any part of the Indebtedness, Secured Party may transfer all of any part of the collateral and shall be fully discharged thereafter from all liability and responsibility with respect to such collateral so transferred. With respect to such collateral not so transferred, the Secured Party shall retain all rights and powers hereby given.

13. CONTINUING AGREEMENT. This is a continuing Agreement and all the rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of Debtors, including that arising under successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, and notwithstanding the death, incapacity or bankruptcy of any Debtor, or any other event or proceeding affecting any Debtor.

14. CONTINUING POWERS. Until all Indebtedness shall have been paid in full all rights, powers and remedies granted to Secured Party hereunder shall continue to exist and may be exercised by Secured Party at the time specified hereunder irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of any Debtor may have ceased.

15. OTHER RIGHTS. The rights, powers and remedies given to Secured Party by this Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any statute or rule of law. Any forbearance or failure or delay by Secured Party in exercising any right, power or remedy hereunder shall not be deemed to be a waiver of such right, power or remedy, any single or partial exercise of any right, power or remedy hereunder shall not preclude the further exercise thereof; and every right, power and remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived by an instrument in writing executed by Secured Party.

16. PLEDGOR'S RESIDENCE. Each Pledgor represents and warrants that Pledgor resides in, or, if Pledgor is not an individual, has, its executive office in the state specified on the signature page hereof. Each Pledgor agrees to give Secured Party at least thirty (30) days notice before changing its state of residence or chief executive office.

17. TERMINATION. This Security Agreement shall remain in full force and effect until all obligations under Standby or Commercial Letters of Credit are satisfied and paid, and Borrower requests termination due to no further credit requests.

18. LAW. This Agreement shall be governed by the laws of the State of California. The Debtor's application for credit may not yet have been approved by Secured Party at the time this Agreement is executed. By signing below, each Pledgor agrees that Secured Party may place a hold on the Deposit Accounts while the application is under review. If the application is denied, the hold will be released.

19. JURY TRIAL WAIVER AND JUDICIAL REFERENCE.

- (a) SUBJECT TO SECTION 19(b) AND TO THE EXTENT THAT IN THE FUTURE SUCH WAIVERS ARE PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ITS RESPECTIVE RIGHTS TO A TRIAL BEFORE A JURY IN CONNECTION WITH ANY ACTION, CLAIM, LAWSUIT, DISPUTE OR CONTROVERSY OVER, ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT OR INSTRUMENT RELATING HERETO, THE ENFORCEMENT HEREOF OR THEREOF OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.
- (b) The foregoing provision shall not apply if, at the time an action, claim, lawsuit, dispute or controversy is brought or initiated, jury trial waivers are not permitted by applicable law. If jury trial waivers are not permitted by applicable law, either party may require that such action, claim, lawsuit, dispute or controversy be resolved by judicial reference in accordance with California Code of Civil Procedure, Sections 638, *et seq.*, including without limitation whether the action is subject to a judicial reference proceeding. The referee shall be a retired judge or justice or a practicing or retired attorney with experience in the field of international trade and finance selected by mutual written agreement of the parties. If the parties cannot agree, the referee shall be selected by the presiding judge (or his or her representative) of the superior court or federal district court in a county or district where venue is appropriate under applicable law. The referee shall sit with all of the powers provided by law. The parties agree that time is of the essence in conducting the judicial reference proceeding set forth herein. The costs of the judicial reference proceeding, including the fee for the court reporter, shall be borne equally by the parties as the costs are incurred, unless otherwise awarded by the referee. The referee shall hear all pre-trial and post-trial matters (including without limitation requests for equitable relief), prepare an award with written findings of fact and conclusions of law and apportion costs as appropriate. The referee shall be empowered to enter equitable relief as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that are binding on the parties and rule on any motion that would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. Judgment upon the award shall be entered in the court in which such proceeding was commenced, and all parties shall have full rights of appeal. This provision will not be deemed to limit or constrain Secured Party's right of set-off, to obtain provisional or ancillary remedies, to interplead funds in the event of a dispute, to exercise any security interest or lien Secured Party may hold in any collateral or property (whether such proceedings are judicial or non-judicial or otherwise) or to comply with legal process involving the Deposit Accounts or Pledgors' other accounts or property.

By agreeing to judicial reference proceedings, the parties do not intend to deprive any court of its jurisdiction to issue a pre-trial injunction, pre-trial attachment or other order in aid of these judicial reference proceedings and the enforcement of any award.

IN WITNESS WHEREOF, Pledgor(s) have executed this Agreement as of \_\_\_\_\_.

**PLEDGOR**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Pledgor

\_\_\_\_\_  
By (Print)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Address

\_\_\_\_\_

**PLEDGOR**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Pledgor

\_\_\_\_\_  
By (Print)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Address

\_\_\_\_\_