

SECURITY AGREEMENT

This Security Agreement (the "Security Agreement") is made and entered into as of the ____ day of _____, 20____, between _____, a <State> <Type of Organization> (the "Debtor"), and _____, a(n) _____ (the "Secured Party").

RECITALS

WHEREAS, the Debtor has executed and delivered to the Secured Party a Secured Promissory Note (the "Note"), pursuant to which the Debtor has agreed to make certain payments over time with respect to funds which have been loaned to the Debtor by the Secured Party; and

WHEREAS, the Debtor desires to use, and the Secured Party desires to accept, as partial collateral security for the Debtor's payment of the Note, the assets of the Debtor's business which are identified on Exhibit A hereto, together with all proceeds therefrom (the "Assets").

NOW, THEREFORE, in consideration of the premises and of the covenants herein contained the parties hereto agree as follows:

AGREEMENT

1. Security Interest in the Assets. As partial security for the full and prompt performance of all of the obligations described in Section 2 below, and all of the other obligations described herein, the Debtor hereby gives and grants to the Secured Party a security interest in and to all of the Assets.
2. Obligations Secured. The pledge of the Assets is made by the Debtor to secure performance of the following described obligations with respect to the Debtor (the "Obligations"): the payment of all principal and interest thereon owed by the Debtor to the Secured Party pursuant to the Note, and all of the other covenants and conditions of the same.
3. Default. The Debtor shall be in default hereunder if at any time the Debtor fails to pay any of the Obligations when due; are in default under or fail to perform any agreement or undertaking or breach any covenant or warranty in this Security Agreement, the Note, or any other instrument executed to further evidence or secure the Obligations; any of the Assets is transferred or sold and is not replaced with comparable items having at least the same value; or any of the Assets which is not adequately insured is lost, stolen or materially damaged. Upon the occurrence of any default hereunder, the Secured Party shall thereupon and thereafter have any or all of the rights and remedies to which a secured party is entitled in the event of and after default under the provisions of the California Uniform Commercial Code-Revised Article 9-Secured Transactions, as amended and in effect on the date hereof. In addition to those rights and remedies, the Debtor agrees that the Secured Party may in its sole discretion do or cause to be done any one or more of the following:
 - (a) To enter upon any premises where the Assets may be and to take possession thereof. The Debtor shall, if requested by the Secured Party, assemble the Assets at a place reasonably designated by the Secured Party.
 - (b) Proceed to realize upon the Assets, or any portion thereof, in any manner or priority.