

SECURITY AGREEMENT

1. _____, DEBTOR, hereby grants to the State of California, Department of Water Resources, Secured Party, a security interest in the collateral described below to secure performance of the obligations set forth in Loan Contract/Funding Agreement No. _____, between Debtor and Secured Party, dated _____.

2. The collateral which is the subject of this Security Agreement consists of the following:

All fixtures, equipment, tools, machinery, inventory, furnishings, and other items of personal property wherever located, now owned, or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts, and tools belonging thereto, or for use in connection therewith and/or located on the premises of the project funded by the above contract.

3. Except as indicated in the space below, Debtor has, or upon acquisition will have, title to all collateral listed in paragraph 2 above, and no other person, entity, agency, or government has or purports to have, or will have any right, title, lien, encumbrance, adverse claim or interest in said collateral.

4. Debtor agrees that: (a) Except as specified in the space below, Debtor will not, without written consent of the Secured Party, sell, contract to sell, lease, encumber, or dispose of the collateral until the indebtedness to Secured Party is completely discharged; and (b) Debtor will notify Secured Party in writing immediately if any third party obtains or attempts to obtain a lien or other interest in the collateral by attachment, execution, or other form of legal process.

5. Debtor will maintain and repair the collateral, will use the collateral lawfully and only within insurance coverage, will avoid any waste or unreasonable deterioration or depreciation of the collateral, and will permit Secured Party to enter on Debtor's premises and inspect said collateral at any time during regular office hours.

Date _____

Debtor

By _____

Title _____

Mailing Address _____

Phone No. _____

State of California
Department of Water Resources
SECURED PARTY

By _____
Manager

Program: _____
Post Office Box
Sacramento, California