

SECURITY AGREEMENT—Continued

A. DEBTOR'S OBLIGATIONS. Whenever referred to "Debtor's Obligations" means the Indebtedness described at Paragraph 3 hereof, all sums and expense, including attorney's fees, collection, legal and receiver's expense, advanced or incurred by Bank for or in connection with Collateral or any obligation of Debtor and a reasonable delinquency charge on each installment in default for ten days or more, which Debtor promises to pay, all optional and obligatory advances to or for Debtor (whether or not in excess of any stated maximum amounts), and all extensions and renewals thereof and howsoever evidenced, and the covenants and liabilities undertaken by Debtor herein and in any other agreement with Bank.

B. WARRANTIES. Debtor warrants that: (1) all Collateral is owned and as represented by Debtor, is free of all liens, encumbrances and other security interests and Debtor will defend Bank's security interest therein against all other claims and demands; (2) all Collateral is genuine, as appearing on its face, enforceable according to its terms, free of disputes, set-off, counter-claim and defenses, and represents indebtedness, obligations, interests, or property justly owing to and owned by Debtor in amounts or as therein provided; (3) at all times Debtor will maintain collateral for and with Bank of a character and value satisfactory to Bank; (4) any advance to enable Debtor to acquire rights in or use of Collateral, or any Collateral delivered to Debtor for a stated purpose, will not be used for any other purpose; (5) no Financing Statement or other security agreement covering any of Debtor's other property of the type, kind, or class of Collateral is or will be on file in any public office, except in favor of Bank; (6) unless Bank is otherwise notified in writing, there are no express or implied warranties to others in connection with Collateral, and if so such others, to the fullest extent permitted by law, have waived as against Bank all claims and defenses against Debtor; and (7) Debtor has authority and obtained all approvals and consents necessary to incur Debtor's Obligations and enter into this Agreement.

C. COLLATERAL AGREEMENTS. As to Collateral (1) Debtor will: (a) keep it free of all levies, liens, encumbrances and other security interests; (b) comply with all laws, statutes and regulations pertaining to it; (c) pay when due all taxes, licenses, charges and other impositions on or for it or Debtor's Obligations; (d) execute, file and record such statements, notices and agreements, take such action and obtain such certificates and documents, in accordance with all applicable laws, statutes, and regulations, as necessary to perfect, evidence and continue Bank's security interest in it; (e) upon demand, give Bank such information as requested concerning it and Debtor's business, and permit Bank to inspect and copy the records thereof; (f) as appropriate, keep it and the proceeds of any collection, sale, or disposition authorized by Bank separate from Debtor's other property, and until otherwise notified by Bank enforce and collect it at Debtor's expense, and maintain accurate and complete records thereof, and account fully for and promptly deliver to Bank the proceeds thereof as and when received; (g) keep or require any goods which are security for or represented by it to be insured in amounts, on terms and with carriers acceptable to Bank and against such risks and casualties as Bank considers reasonable, customary or appropriate, and with loss payable to Bank, and providing for written notice to Bank at least ten days prior to cancellation or material change (the proceeds of which may be applied to Collateral or Debtor's Obligations as Bank elects); and (h) as appropriate, properly care for, house, store and maintain it and any goods represented by it in good condition, free of misuse, abuse, waste and deterioration, and cultivate, harvest, raise, fatten, graze, cut, extract, process and prepare it for sale or market according to approved methods, and promptly and duly observe and perform any contract or agreement pertaining to or part of it; (2) Debtor will not, without Bank's written consent: (a) exchange, lease, lend, use, operate, race, demonstrate, sell or dispose of it or Debtor's rights therein or permit it to be or become so affixed to realty as to be a part or become a fixture thereof; except until otherwise notified by Bank, equipment goods may be used if subject to reasonable wear and tear of intended use only, and inventory goods of raw materials may be used, and inventory goods held for sale may be sold, in the regular course of Debtor's business for cash and for not less than the minimum sale or Release Price specified by Bank; (b) make any compromise, adjustment, amendment, modification, settlement, substitution or termination, or accept the return of any goods, of or in connection with it; (c) as appropriate, remove it from or outside Collateral Location(s) or premises specified on reverse hereof; or (d) permit anything to be done that may impair, or fail to do anything necessary or advisable to preserve, its value and the security and insurance coverage and proceeds intended for Bank.

D. DEFAULT. Upon the happening of any of the following: (1) default in payment or performance of Debtor's Obligations as agreed; (2) levy or proceeding against Collateral or Debtor's other property; (3) commission of an act of bankruptcy or commencement of bankruptcy proceedings by or against, or the death, dissolution, termination of existence or insolvency of, Debtor or any surety for Debtor; (4) any misrepresentation, mis-statement, or failure to establish upon demand

the correctness of all written information and representations by Debtor to Bank; or (5) Bank, because of any injury to, or destruction, loss, or decline in value or market price of, Collateral, or for any other reason in good faith, deems itself insecure, then Bank, at its election and in addition to all other rights, powers and privileges, may: (a) declare the unpaid balance, in whole or in part, of Debtor's Obligations immediately due and payable without demand or notice and proceed to collect same; (b) waive or remedy any default without waiving it or any prior or subsequent default; (c) terminate any agreement for financial accommodation; and (d) as appropriate, take possession of Collateral with or without legal process or require Debtor to assemble it and make it available to, and at a reasonably convenient place designated by, Bank and sell it at public sale in the county where located or where this Agreement was made or at private sale and whether or not Collateral is present at the place of sale.

E. GENERAL. (1) Bank has no responsibility or liability for the correctness, validity, genuineness, ownership, condition, existence, character, quantity, quality, value or delivery of any goods, rights or matters evidenced or represented by or as to any matter pertaining to Collateral, and makes no express or implied warranties and no warranties of merchantability or fitness for any Collateral delivered or released to Debtor. Such care as Bank gives to the safekeeping of its own property of like kind shall constitute reasonable care of Collateral when in Bank's possession; but Bank is not required to make presentment, demand or protest, or give notice, and need not take action to preserve any rights against prior parties in connection with any obligation or evidence of indebtedness held as Collateral or in connection with Debtor's Obligations. As appropriate, a commercially reasonable preparation or processing of Collateral includes completing or continuing any growing, grazing, fattening or other farming operation necessary to the sale or disposition of Collateral.

(2) Bank, in its own or Debtor's name and at any time without notice and at Debtor's expense, may, but is not obligated to: (a) notify any obligor or account debtor on Collateral to make payment to Bank; (b) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of Collateral; (c) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for, Collateral; (d) insure, process and preserve Collateral; (e) transfer Collateral to its own or its nominee's name; (f) make any compromise or settlement, and take any action it deems advisable, and exercise all the rights, powers and remedies of an owner, with respect to Collateral; and (g) make any payment and perform any agreement undertaken by Debtor and expend such sums and incur such expense, including reasonable attorney's fees and legal expenses, as Bank reasonably deems advisable, and upon demand Debtor will pay the same to Bank together with any deficiency or balance on Debtor's Obligations remaining after any sale or other disposition of Collateral by Bank, with interest at 7% per annum or as agreed.

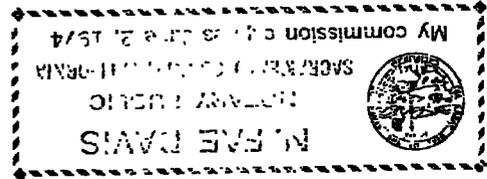
(3) Debtor (a) will give Bank prior written notice of any change of residence or place of business and address thereof and all policies or certificates of insurance required for Collateral; and (b) hereby assigns to Bank any return or unearned premium becoming due on any insurance covering Collateral, directs the insurers to pay same to Bank, and irrevocably appoints Bank by any officer as Debtor's attorney-in-fact to cancel such insurance and to endorse and sign any instrument payable to Debtor or required to obtain such insurance premium or proceeds.

(4) The singular includes the plural. If there is more than one Debtor, their obligations and agreements hereunder are joint and several and binding upon their respective heirs, successors and assigns, and delivery or other accounting of Collateral (in whatever form) to any one of them shall discharge Bank of all liability therefor. If Debtor is a married woman, recourse may be had against her separate property for her indebtedness and obligations to Bank.

(5) This is a continuing agreement and applies to all past, present and future indebtedness, obligations, and transactions of Debtor, or any of them, with Bank, and whether or not such transactions continue, increase, decrease or create new indebtedness after or before payment of prior indebtedness, and notwithstanding the death, incapacity or bankruptcy of, or other event or proceedings affecting any Debtor.

(6) Time is of essence. Acceptance of partial or delinquent payments or failure to exercise any right, power or remedy shall not waive any obligation of Debtor or modify this Agreement. Bank, its successors and assigns, have all rights, powers and remedies herein and as provided by law, including those of a secured party under Uniform Commercial Code, and may exercise the same and effect any set-off and proceed against Collateral or other security for Debtor's Obligations at any time notwithstanding any cessation of Debtor's liability or running of any statute of limitations, which Debtor hereby waives to the fullest extent permitted by law. Notice to Bank must be given at its Office where this Agreement was made and Bank's acceptance hereof constitutes its agreement hereto.

STATE OF CALIFORNIA
COUNTY OF SACRAMENTO



GENERAL ACKNOWLEDGMENT
Form No. 16

ON December 2, 1971, before me, the undersigned, a Notary Public in and for said County and State, personally appeared

Howard A. Black, M.D., Flora Williams Black and

Richard Stuff

known to me to be the person's whose name's are subscribed to the within

instrument, and acknowledged to me that they executed the same.

Notary's Signature

N. Fae Davis

Type or Print Notary's Name N. Fae Davis

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