



Water Stock Security and Pledge Agreement

This Water Stock Security and Pledge Agreement (the "Agreement") is made this _____ day of, _____, _____ between _____ (the "Pledgor") and _____ (the "Pledgee").

RECITALS

- A. At the time of the execution of this Agreement, the Pledgee loaned to Pledgor \$ _____ evidenced by the Promissory Note of the Pledgor for such amount (the "Loan");
- B. As partial security for the Loan and to induce Pledgee to make the Loan, the Pledgor has agreed to grant a security interest in and pledge certain stock in _____ Company with the Pledgee.

IT IS THEREFORE AGREED:

1. Grant of Security Interest/Pledge. In consideration of the sum of \$ _____, loaned to the Pledgor by the Pledgee, receipt of which is acknowledged, Pledgor hereby grants to the Pledgee a security interest in the following instruments _____ shares of _____ Company, represented by Certificate(s) # _____ duly endorsed in blank, and herewith delivered to the Pledgee (the "Pledged Shares") and assigns to Pledgee and, except as otherwise provided herein, all rights of Pledgor in the Pledged Shares. The Pledgor appoints the Pledgee as attorney to arrange for the transfer of the Pledged Shares on the books of the Company to the name of the Pledgee. The Pledgee shall hold the Pledged Shares as security for the repayment of the Loan, and shall not encumber or dispose of the Pledged Shares except in accordance with the provisions of paragraph 8 of this Agreement. The term of this Agreement shall continue until satisfaction by Pledgor of all obligations of Pledgor under the Loan.
2. Voting Rights. During the term of this Agreement and so long as the Pledgor is not in default in the performance of any of the terms of this Agreement or in the payment of the principal or interest of the Loan or other amounts due thereunder, the Pledgor shall have the right to vote the Pledged Shares on all corporate questions and the Pledgee shall execute due and timely proxies in favor of the Pledgor to this end.
3. Representations. The Pledgor warrants and represents that there are no restrictions upon the transfer of any of the Pledged Shares, other than may appear on the face of the certificate(s) and the Pledgor has the right to transfer such Pledged Shares to Pledgee free of any encumbrances without obtaining the consent of the other shareholders or any other person or entity.
4. Adjustments. In the event that during the term of this Agreement any share dividend, reclassification, readjustment or other changes declared or made in the capital structure of the company which has issued the Pledged Shares, all new, substituted and additional shares or other securities issued by reason of any such exchange shall be held by the Pledgee under the terms of this Agreement in the same manner as the Pledged Shares originally pledged hereunder.
5. Warrants and Rights. In the event that during the term of this Agreement, subscription warrants or any other rights or options shall be issued in connection with the Pledged Shares, such warrants, rights and obligations shall be immediately assigned by the Pledgee to the Pledgor and if exercised by the Pledgor all new shares or other securities so acquired by the Pledgor shall be immediately assigned to the Pledgee to be held under the terms of this Agreement in the same manner as the shares originally pledged hereunder.
6. Assessments, Costs, Etc. During the term of this Agreement, Pledgor agrees to timely pay all fees, charges, costs, expenses and assessments levied upon or attributable to the Pledged Shares.
7. Payment of Loan. Upon payment in full of all principal and interest of the Loan and all other amounts due thereunder, the Pledgee shall transfer to the Pledgor all the Pledged Shares and all rights received by the Pledgee as a result of Pledgee's record ownership thereof.

8. Default. In the event that the Pledgor defaults in the performance of any of the terms of this Agreement, the Note, or the Deed of Trust of even date given as additional security for repayment of the Loan, or in the payment of the principal or interest under the Loan or of other amounts due thereunder, the Pledgee shall have the rights and remedies provided in the *UTAH UNIFORM COMMERCIAL CODE* and in this connection, the Pledgee may upon adequate notice as required by statute, sell the Pledged Shares. At any bonafide sale of such Pledged Shares, the Pledgee shall be free to purchase all or any part of the Pledged Shares. Out of the proceeds of any such sale, the Pledgee may retain an equal amount to the principal, interest and other amounts then due on the Loan, plus the amount of the expenses of the sale, and shall pay any balance of such proceeds, if any, to the Pledgor. In the event the proceeds of any such sale are insufficient to cover the principal and interest of the loan plus expenses of the sale, the Pledgor shall remain liable to the Pledgee for any deficiency.

9. Assignment. This Agreement may not be assigned by Pledgor without the prior written consent of Pledgee. This Agreement may be assigned by Pledgee without the prior consent of Pledgor. This Agreement shall otherwise be binding upon and the benefits hereof inure to the benefit of the Pledgee and its successors and assigns.

IN WITNESS WHERETO, the parties hereto have executed this instrument the date and year first above written.

PLEDGOR:

PLEDGEE:

By _____
Its _____