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SEP 04 2007
WATER RESOURCES
WESTERN REGION

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

Notice of Security Interest in a Water Right

And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right

Please print or type. Attach pages with additional information. Instructions are on the back of this page.
Incomplete forms will be returned.

1. Water Right No(s).: 57-10650 and 57-10651
Adjudication Claim No(s).: _____
2. The following **REQUIRED** information must be submitted with this form:
 - A) Evidence of the security interest. This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION.**
 - B) A **FEE of \$25.00 per water right** or adjudication claim.
3. Name and Mailing Address of Person or Company holding Security Interest
Pacific Intermountain Mortgage Co.
2420 Main St
Baker City, OR 97814
4. Name of Water Right Owner/Claimant(s) Rausch Farms LLC
5. Expiration Date of Notification Period _____
6. Is this a Renewal of Request for Notification? ☐ YES ☒ NO ↑ Richard + Lois
7. Signature(s) of Security Interest holder(s) Ken Hite, office - Rausch
(and title if applicable) _____

For Office Use Only

Received by <u>SL</u>	Date <u>9.4.07</u>	Fee <u>\$25-</u>
Received by <u>SL</u>	Date <u>"</u>	Receipt No. <u>W035800</u>
Processed by _____ AJ	Date _____	WR _____ Date _____

add'l \$25- rec'd 9-12-07 #W035823 DB

MALHEUR FEDERAL CREDIT UNION

Mortgagor(s):
RAUSCH FARMS, LLC
RICHARD RAUSCH
KELLY RAUSCH
KIRK D. RAUSCH
7796 POISON CREEK ROAD
MARSING, ID 83641

Mortgagee(s):
Malheur Federal Credit Union
c/o Pacific Intermountain Mortgage Co.
2420 Main St.
Baker City, OR 97814

REAL ESTATE MORTGAGE

THIS MORTGAGE is made and entered into by RAUSCH FARMS, LLC, RICHARD RAUSCH, KELLY RAUSCH and KIRK D. RAUSCH, at Marsing, Idaho, herein called mortgagor, and Malheur Federal Credit Union, C/O Pacific Intermountain Mortgage Company, 2420 Main Street, Baker City, Oregon 97814, herein called mortgagee.

Mortgagors in consideration of THREE HUNDRED TWENTY ONE THOUSAND THREE HUNDRED TWENTY DOLLARS (\$321,320.00) paid to mortgagor does hereby grant, bargain, sell and convey unto Malheur Federal Credit Union, mortgagee and mortgagee's successors and assigns, that real property situated in Owyhee County, State of Idaho, described on Exhibit "A", and the water rights and irrigation equipment described in Exhibit "A-1", attached hereto and by this reference made a part hereof, together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any way appertaining and which may hereafter thereto belong or appertain, and the rents, issues and profits therefrom, and any and all fixtures upon the premises at the time of the execution of the mortgage or at any time during the term of this mortgage.

TO HAVE AND TO HOLD the premises with the appurtenances unto mortgagee and mortgagee's personal representative, successors and assigns forever.

This mortgage is intended to secure the payment of a promissory note dated August 10, 2007, in the principal amount of \$321,320.00 with the due date of the final installment being April 1, 2027.

The mortgagor warrants that the proceeds of the loan represented by the Note and this mortgage are (line out whichever is not applicable):

(a) ~~primarily for mortgagor's personal, family or household purposes, or~~

(b) for an organization or (even if mortgagor is a natural person) for business or commercial purposes.

This mortgage is further conditional upon the faithful observance by the mortgagor of the following Articles of covenants hereby expressly entered into by the mortgagor, to-wit:

ARTICLE I

MORTGAGOR FURTHER AGREES THAT THE LOAN SECURED BY THIS INSTRUMENT WILL BE IN DEFAULT SHOULD ANY LOAN PROCEEDS BE USED FOR A PURPOSE THAT WILL CONTRIBUTE TO EXCESSIVE EROSION OF HIGHLY ERODIBLE LAND OR TO THE CONVERSION OF WETLAND TO PRODUCE OR TO MAKE POSSIBLE THE PRODUCTION OF AN AGRICULTURAL COMMODITY, SUBJECT TO 7 CFR PART 1940, SUBPART G, EXHIBIT M.

ARTICLE II

HAZARDOUS SUBSTANCES: Notwithstanding any provision in the Mortgages or any other Loan Document, the provisions of this Article shall not be secured by the Mortgages and shall survive termination of this Mortgage, repayment of the Loan, and foreclosure of the Mortgages or similar proceedings.

(1) **Definition of Hazardous Substance:** For purposes of this Agreement, a "Hazardous Substance" is defined to mean any substance, material or waste, including asbestos and petroleum (including crude oil or any fraction thereof), which is or becomes designated, classified or regulated as "toxic", "hazardous", a "pollutant" or similar designation under any federal, state or local law, regulation or ordinance.

(2) **Indemnity regarding Hazardous Substances:** Mortgagor agrees to indemnify, defend with counsel acceptable to Lender, and hold Lender, its parent and affiliated companies, and their respective officers, directors, employees and agents, harmless from and against all actual or threatened liabilities, claims, actions, damages (including foreseeable fees) and losses directly or indirectly arising out of or resulting from the presence of any Hazardous Substance in or around any part of the Properties or in the soil or groundwater under the Properties, including (a) any expenses incurred in connection with any reasonably necessary investigation of site conditions or any clean-up, remedial, removal or restoration work, and (b) any resulting damages or injuries to the person or property of any third parties or to any natural resources. In addition, Mortgagor shall similarly indemnify, defend and hold harmless any persons purchasing the Properties through a foreclosure sale or following a foreclosure sale, and any persons purchasing the Loan or any portion of or interest in it.

(3) **Representation and Warranty:** Before signing this Agreement, Mortgagor researched and inquired into the previous, current and contemplated uses and ownership of the Properties. Based on that due diligence, Mortgagor represents and warrants that, to the best of his knowledge, no Hazardous Substance has been or will be disposed of, released onto or otherwise exists in, on, or under the Properties, except as Mortgagor has disclosed to Lender in writing.

(4) **Compliance with Law; Notices:** Mortgagor has complied, and shall comply and cause all occupants of the Properties to comply, with all laws, regulations and ordinances governing or applicable to Hazardous Substances as well as the recommendations of any qualified environmental engineer or other expert. Mortgagor shall promptly notify Lender if he/she/they know(s) or suspects there may be any Hazardous Substance in or around the Properties, or in the soil or groundwater under the Properties, or if any action or investigation by any governmental agency or third party pertaining to Hazardous Substances is pending or threatened.

(5) **Site Visits:** Mortgagor shall allow Lender access to the Properties at any reasonable time for the purposes of performing an appraisal, inspecting the Properties, taking soil or groundwater samples, and conducting tests, among other things, to investigate for the presence of Hazardous Substances, as defined in Article V. Such appraisals, inspections and audits shall be at the Lender's expense except if Lender performs such appraisals, inspections or audits after the occurrence of an Event of a Default as in hereinafter defined. Lender is under no duty to visit or observe the Properties. Any site visit, observation or examination by Lender shall be solely for the purpose of protecting Lender's security and preserving Lender's rights under the Loan Documents. Lender owes no duty of care to protect Mortgagor or any other party against, or to inform Mortgagor or any other party of, any adverse condition affecting the Properties, including any defects in the design or construction of any improvements on the Properties or the presence of any Hazardous Substances on the Properties.

ARTICLE III

(1) Mortgagor is lawfully seized of the premises and now has a valid and unencumbered fee simple title thereto, except easements and rights of way of record and mortgagor will warrant and defend said title against the claims and demands of all persons.

(2) Mortgagor will pay the promissory note(s) and all installments of interest thereon promptly as the same become due, according to the tenor of the note(s). The final due date for payment of principal and interest of the promissory note is April 1, 2027.

(3) So long as this mortgage remains in force, mortgagor will pay all taxes, assessments, and other charges of every nature levied or assessed upon or against the premises when due and payable, according to law, and before the same becomes delinquent, and will also pay all taxes levied or assessed on this mortgage or the debt thereby secured, and will promptly pay and satisfy any mechanics' liens or other

encumbrances that, by operation of law or otherwise, become a lien upon the mortgaged premises superior to the lien of this mortgage.

(4) Mortgagor will keep the improvements (including but not limited to the dwelling, other outbuildings, fences, attached irrigation equipment) erected on the premises in good order and repair and will not commit or suffer any waste of the premises. At the request of the mortgagee, the mortgagor shall join with the mortgagee in executing one or more financing statements pursuant to the Uniform Commercial Code, in form satisfactory to the mortgagee and will pay for filing the same in the proper public office(s), as well as the cost of any lien search made by filing officers or searching agencies as may be deemed desirable by the mortgagee. Mortgagor will not make any changes in or alterations to the improvements on the mortgaged premises which will materially decrease the value of the same.

(5) This mortgage covers all water rights and ditch rights and mortgagor agrees that mortgagor will put to beneficial use all waters and maintain said water rights and not allow any water rights to be abandoned.

(6) Mortgagor agrees that mortgagee or its agents, successors or assigns and their agents may at all reasonable times inspect the property to ascertain whether the covenants and agreements contained herein are being performed. Said inspections will be on at least an annual basis.

(7) So long as this mortgage shall remain in force, mortgagor will keep the buildings now erected, or any which may hereafter be erected on the premises, insured against loss or damage by fire, with extended coverage, to the extent of the contributory value on the primary dwelling and the remaining outbuildings in some company or companies acceptable to the mortgagee and for the benefit of both parties hereto as their interests may appear, and will deliver all the policies and renewals thereof to the mortgagee.

(8) **WARNING:** Unless mortgagor provides mortgagee with evidence of insurance coverage as required by the contract or loan agreement between them, mortgagee may purchase insurance at mortgagor's expense to protect mortgagee's interest. This insurance may, but need not, also protect mortgagor's interest. If the collateral becomes damaged, the coverage purchased by mortgagee may not pay any claim made by or against mortgagor. Mortgagor may later cancel the coverage by providing evidence that mortgagor has obtained property coverage elsewhere. Mortgagor is responsible for the cost of any insurance coverage purchased by mortgagee, which cost may be added to mortgagor's contract or loan balance. If it is so added, the interest rate on the underlying contract or loan will apply to it. The effective date of coverage may be the date mortgagor's prior coverage lapsed or the date mortgagor failed to provide proof of coverage. The coverage mortgagee purchases may be considerably more expensive than insurance mortgagor might otherwise obtain alone and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

NOW THEREFORE, if the mortgagor shall pay the promissory note(s) and shall fully satisfy and comply with the covenants hereinbefore set forth, then this conveyance shall be void, but otherwise it shall remain in full force and virtue as a mortgage to secure the payment of the promissory note(s) in accordance with the terms thereof and the performance of the covenants and agreements herein contained. Any failure to make any of the payments provided for in the note(s) or this mortgage when the same shall become due or payable, or to perform any agreement herein contained, shall give to the mortgagee the option to declare the whole amount due on the note(s), or unpaid thereon or on this mortgage, at once due and payable, and this mortgage by reason thereof may be foreclosed at any time thereafter. If the mortgagor shall fail to pay any taxes or other charges or any lien or insurance premium as herein provided to be done, the mortgagee shall have the option to pay the same. Any payment so made shall be added to and become a part of the debt secured by this mortgage, and draw interest at the same rate as the note(s) without waiver, however, of any right arising from breach of any of the covenants herein. Time is of the essence with respect to all sums due hereunder, and the promissory note(s).

In case a suit or action is brought to foreclose this mortgage, the court may, upon motion of the holder of the mortgage, without respect to the condition of the property, appoint a receiver to collect the rents and profits arising out of the premises and direct the receiver to apply such rents and profits to the payment and satisfaction of the amount due under this mortgage, first deducting all proper charges and expenses of the receivership, including a reasonable charge for attorney fees.

In the event any suit or action to foreclose this mortgage is commenced, the losing party therein agrees to pay the attorney fees, costs and disbursements of the prevailing party, including statutory costs and disbursements and costs of title report(s) and/or title search. If any appeal is taken from any judgment or decree entered pursuant to such suit or action, the losing party on appeal therein promises to pay the attorney fees, costs and disbursements, including all statutory costs and disbursements, of the prevailing party. To the extent permitted by law, all such sums shall be and are secured by the lien of this mortgage and shall be included in the judgment or decree of foreclosure.

Each and all of the covenants and agreements herein contained shall apply to, inure to the benefit of, and bind the personal representatives, successor and/or assigns of the mortgagor and of the mortgagee respectively.

In construing this mortgage and related note(s), it is understood that the mortgagor or mortgagee may be more than one person. If the context so requires, the singular shall be taken to mean and include the plural. Generally, all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

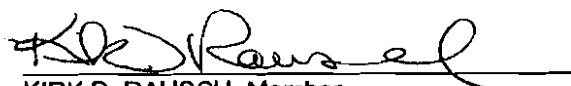
All covenants and provisions of this mortgage shall bind the successors and assigns of mortgagor and shall inure to the benefit of successors and assigns of mortgagee, provided however mortgagor understands that a sale or other transfer of the mortgaged premises or any part thereof, without prior written consent of mortgagee, shall constitute a default of this mortgage.

IN WITNESS WHEREOF, the mortgagor has executed this instrument. If the mortgagor is a corporation, it has caused it's name to be signed and it's seal, if any, affixed by an officer or other person duly authorized to do so by order of it's board of directors.

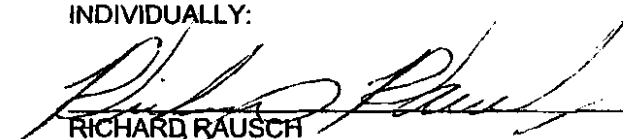
RAUSCH FARMS, LLC:

 MEMBER
RICHARD RAUSCH, Member


KELLY RAUSCH, Member


KIRK D. RAUSCH, Member

INDIVIDUALLY:


RICHARD RAUSCH

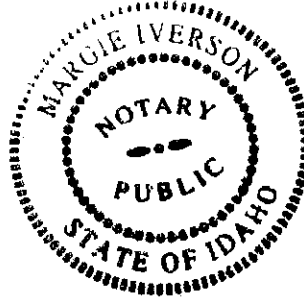

KELLY RAUSCH


KIRK D. RAUSCH

STATE OF IDAHO
County of Canyon

On this 10th day of August, 2007, before me, a Notary Public in and for the said state, personally appeared Richard Rausch, known or identified to me to be the person(s) whose name(s) are subscribed to the within Instrument and acknowledged to me that they executed same.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

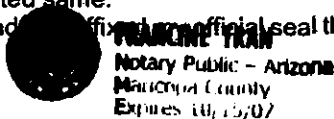
Marcie Iverson
Notary Public for Idaho
My commission expires: 6-15-2014



STATE OF IDAHO ARIZONA
County of MARICOPA

On this 14th day of August, 2007, before me, a Notary Public in and for the said state, personally appeared Kelly Rausch, known or identified to me to be the person(s) whose name(s) are subscribed to the within Instrument and acknowledged to me that they executed same.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Francine Tran
Notary Public for ~~Idaho~~ ARIZONA
My commission expires: 10/15/07



STATE OF IDAHO Arizona
County of Maricopa



On this 13 day of August, 2007, before me, a Notary Public in and for the said state, personally appeared Kirk D. Rausch, known or identified to me to be the person(s) whose name(s) are subscribed to the within Instrument and acknowledged to me that they executed same.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Monica Wade
Notary Public for Idaho
My commission expires: 24 Oct 2010

EXHIBIT A

TRACT I:

In Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho.

Section 14: Southeast Quarter of the Southeast Quarter

Section 23: Northeast Quarter of the Northeast Quarter and a part of the Southeast Quarter of the Northeast Quarter more particularly described as follows:

COMMENCING at the Northwest corner of said Southeast Quarter of the Northeast Quarter; thence South 89° 49'27" East 49.50 feet along the North boundary of said Southeast Quarter of the Northeast Quarter to the POINT OF BEGINNING; thence continuing South 89° 49'27" East 872.22 feet along the North boundary of said Southeast Quarter of the Northeast Quarter; thence South 0° 37'00" East 656.71 feet; thence North 89° 47'07" West 158.74 feet; thence North 2° 22'50" West 154.30 feet; thence North 89° 35'05" West 559.55 feet; thence North 17° 09'50" West 523.86 feet to the POINT OF BEGINNING.

TRACT II:

In Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho.

Section 14: Southwest Quarter of the Southeast Quarter

EXCEPTING THEREFROM:

The West 285 feet of the South 100 feet thereof.

Section 23: Northwest Quarter of the Northeast Quarter

EXCEPTING THEREFROM the following:

The Westerly 285 feet of the Northerly 750 feet of the Northwest Quarter of the Northeast Quarter of Section 23, Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho, more particularly described as follows:

COMMENCING at the Northwest corner of the Northwest Quarter of the Northeast Quarter of said Section 23; thence

East along the Northerly boundary of said Northwest Quarter of the Northeast Quarter a distance of 285 feet to a point; thence

South and parallel with the Westerly boundary of said Northwest Quarter of the Northeast Quarter a distance of 750 feet to a point; thence

West and parallel with the Northerly boundary of the Northwest Quarter of the Northeast Quarter a distance of 285 feet to a point on the Westerly boundary of the Northwest Quarter of the Northeast Quarter; thence

Northerly along said Westerly line a distance of 750 feet to the POINT OF BEGINNING.

Section 23: Southwest Quarter of the Northeast Quarter

EXCEPTING THEREFROM the following:

A part of the Southwest Quarter of the Northeast Quarter, Section 23, Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho; more particularly described as follows:

BEGINNING at the Southwest corner of said Southwest Quarter of the Northeast Quarter (C1/4 corner); thence North 0° 37'47" West 186.00 feet along the West boundary of said Southwest Quarter of the Northeast Quarter; thence

South 89° 46'03" East 501.83 feet; thence

South 0° 37'47" East 186.00 feet; thence

North 89° 46'03" West 501.83 feet along the South boundary of said Southwest Quarter of the Northeast Quarter to the POINT OF BEGINNING.

ALSO EXCEPTING THEREFROM the following:

Section 23: A part of the Southwest Quarter of the Northeast Quarter, Section 23, Township 2 North, Range 5 West, Boise, Meridian, Owyhee County, Idaho; more particularly described as follows:

BEGINNING at the Southeast corner of said Southwest Quarter of the Northeast Quarter, (EC 1/16); thence North 89° 46'03" West 806.86 feet along the South boundary of said Southwest Quarter of the Northeast Quarter; thence

North 0° 37'47" West 186.00 feet; thence

North 36° 34'30" East 512.90 feet; thence

South 89° 51'50" East 498.06 feet; thence

South 0° 29'51" East 600.00 feet to the POINT OF BEGINNING.

Section 23: Southeast Quarter of the Northeast Quarter

EXCEPTING THEREFROM the following:

A part of the Southeast Quarter of the Northeast Quarter, Section 23, Township 2 North, Range 5 West, Boise, Meridian, Owyhee County, Idaho; more particularly described as follows:

COMMENCING at the Northwest corner of said Southeast Quarter of the Northeast Quarter; thence

South 89° 49'27" East 49.50 feet along the North boundary of said Southeast Quarter of the Northeast to the POINT OF BEGINNING; thence continuing

South 89° 49'27" East 872.22 feet along the North boundary of said Southeast Quarter of the Northeast Quarter; thence

South 0° 37'00" East 656.71 feet; thence
North 89° 47'07" West 158.74 feet; thence
North 2° 22'50" West 154.30 feet; thence
North 89° 35'05" West 559.55 feet; thence
North 17° 09'50" West 523.86 feet to the POINT OF BEGINNING.

ALSO EXCEPTING THEREFROM the following:

A part of the North Half of the Southeast Quarter of the Northeast Quarter, Section 23, Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho; more particularly described as follows:

BEGINNING at the Northeast corner of said North Half of the Southeast Quarter of the Northeast Quarter (N 1/16 corner); thence

South 0° 37'00" East 656.97 feet along the East boundary of said North Half of the Southeast Quarter of the Northeast Quarter; thence

North 89° 47'07" West 390.00 feet along the South boundary of said North Half of the Southeast Quarter of the Northeast Quarter; thence

North 0° 37'00" West 656.71 feet; thence

South 89° 49'27" East 390.00 feet along the North boundary of said North Half of the Southeast Quarter of the Northeast Quarter to the POINT OF BEGINNING.

AND ALSO EXCEPTING THEREFROM the South Half of the Southeast Quarter of the Northeast Quarter.

TRACT III:

In Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho.

Section 15: Southeast Quarter Northeast Quarter, West Half Northeast Quarter, Southeast Quarter, Southeast Quarter Northwest Quarter, East Half Southwest Quarter.

TRACT IV

In Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho

Section 13: That portion of the Northwest Quarter Southwest Quarter lying West of the Gem Irrigation District Lateral S.C. 26.9.

Section 14: North half Southeast Quarter, Southeast Quarter Northeast Quarter less the following described parcel: A parcel of land situate in the Southeast Quarter Northeast Quarter of Section 14, Township 2 North, Range 5 West Boise Meridian, described as follows:

Commencing at the Southeast corner of said Southeast Quarter Northeast Quarter, Section 14 being the REAL POINT OF BEGINNING; thence North 234 feet; thence West parallel to the South line of said Southeast Quarter Northeast Quarter to a point on the West line of said Southeast Quarter Northeast Quarter; thence South 234 feet; thence East along the South line of said Southeast Quarter Northeast Quarter to the REAL POINT OF BEGINNING.

TRACT V:

In Township 2 North, Range 5 West, Boise Meridian, Owyhee County, Idaho.

Section 13:

That portion of the Northwest Quarter of the Southwest Quarter lying East of the Gem Irrigation District Lateral S.C. 26.9.

EXHIBIT "A-1"

IRRIGATION EQUIPMENT and WATER RIGHTS Rausch Farms, LLC

All fixtures (including trade fixtures), supplies, equipment and inventory used for the production of water on the Real Property or for the irrigation or drainage thereof, whether now owned or hereafter acquired, and whether now existing or hereafter arising, and all proceeds (including insurance proceeds) from the sale or other disposition of any of such Property. Said fixtures, supplies, equipment and inventory include, but are not limited to, the following:

First Tract Sections 14, 13 & 23:

- (1) Lindsay Zimmatic 7 - Tower Pivot with end gun SN L83088
- (1) 30 HP Baldor pump/motor SN 406234123
- (2) 1/4 mile Wade Rain wheel lines with 6' wheels SN 22383 & 22385
- (1) Lindsay Zimmatic 3 - Tower Pivot with end gun SN L83089
- (1) Lindsay Zimmatic 3 - Tower Pivot with end gun SN L-68301
- (1) 25 HP Centrifugal pump/motor
- (1) 15 HP Marathon Centrifugal motor TVC 21LTTD7024AB with Berkeley pump

Second Tract Section 15:

- (1) Lindsay Zummatic 9 - Tower Pivot with end gun SN L40468
- (1) 40 HP Marathon Centrifugal motor XE324TTDP707 with Berkeley pump
- (2) 1/4 mile Crop King wheel lines with 6' wheels Model No. 194702
- (1) 50 HP Berkley pump SN B6JPBM
- (1) 30 HP Baldor Motor SN406234123 with Berkeley pump SN B46P8H
- (1) 15 HP Baldor Motor Model JPM8314-T with Berkeley pump L-1027-B

1,700' of 10" Aluminum Main Line
400' of 6" Aluminum Main Line
1,000' of 5" Aluminum Main Line
1,350' of 4" Aluminum Main Line
1,792' of Hand Line, 3" risers, 40' Joints
3,900' of 12" Gated Pipe
3,090' of 10" Gated Pipe
180' of 6" Gated Pipe

535.2 acres of water rights as assessed by Gem County Irrigation District
Water rights as assessed by the Idaho Department of Water Resources as follo

ense #57-10650 for .03 cfs stockwater from ground with priority date 10/1/53 in Sec. 14
ense #57-10651 for .04 cfs domestic water from ground with priority date 10/1/51 in Sec. 13