



A facsimile from
Idaho Soil Conservation
Commission

To: JEFF PEPPERSACK
Fax number: 208-287-6700

Dennis Carroll

Date: 12/11/2006

Regarding: WATER RIGHTS

Comments:

Please let me know if you need anything else. I will also send you a copy of this agreement.

If you have any questions, please contact me at 208-332-8653

Thank you

Dennis Carroll



Idaho Soil Conservation Commission

Resource Conservation & Rangeland Development Program

Boise Office: 208-332-8650

Fax: 208-334-2386

www.scc.state.id.us

RCRDP@IdahoAg.us

Security Agreement

THIS SECURITY AGREEMENT, dated 27 Sep, 2008 is made between the Idaho Soil Conservation Commission (herein called "Secured Party"), whose mailing address is PO Box 790, Boise, Idaho, 83701-0790, and Preston Whitney Irrigation Company (herein called "Debtor") whose mailing address is, 33 South 1st East Preston, ID 83263.

SECTION 1

CREATION OF SECURITY INTEREST

Debtor hereby grants to Secured Party a security in the collateral, described in Section 2, to secure the performance and payment of Debtor's promissory note, dated 27 Sept, 2008, for the principal sum of **SEVEN HUNDRED FIFTY THOUSAND and 00/100** dollars (\$750,000.00), with interest at the rate of TWO percent (2.0%) per annum, executed by the Debtor and payable to the order of the Secured Party.

SECTION 2

COLLATERAL DESCRIPTION

The collateral subject to this agreement, herein referred to as collateral, is the property of the following description: Water rights as listed below.

Water right Number	Source	Amount	Priority
13-00003	Cub River	25.00CFS	4/1/1882
13-00036	Cub River	3.00CFS	4/1/1882
13-00037	Cub River	2.00CFS	4/1/1882
13-02291	Cub River	2407.50AF	6/30/1947

Together with all equipment, parts, appliances, accessions, and appurtenances now or hereafter placed thereon, all of which shall be a component part of collateral.

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SECTION 3 OBLIGATIONS OF DEBTOR

1) **Payment Period.** Debtor shall pay to the Secured Party the sum evidenced by the above mentioned note or any renewals or extensions thereof executed pursuant to the security agreement in accordance with the terms of such note, and any other obligations that now exist or may hereafter accrue from Debtor to Secured Party, including all future advances that may be made at the option of Secured Party as provided herein.

2) **Warranties and Representations.** Debtor warrants and covenants that:

- a) Debtor is the absolute and exclusive owner of the above-described collateral, and such collateral is free from all liens, encumbrances, claims, security and other interests, except as described in Section 2, and Debtor will, at Debtor's cost and expense, defend any action that may affect Secured Party's security interest in, or Debtor's title to, collateral.
- b) Debtor will permit Secured Party to inspect the collateral at any reasonable time and not sell or otherwise dispose of the collateral or of any interest therein without the prior written consent of Secured Party.
- c) Debtor will pay promptly when due:
 - i) Indebtedness evidenced by the note and any indebtedness to Secured Party secured hereby.
- d) Taxes, assessments, and any other encumbrances levied on collateral or on its use and operation.
 - i) Costs of lien searches, filing or recording fees for instruments necessary to perfect, continue, service, or terminate this security interest.
- e) Secured Party may make advances for and on behalf of the Debtor to protect and preserve the collateral and such advances shall bear interest at the note rate from the date on which the amount of the advance was due to the date of payment to the Secured Party.
- f) Debtor will keep collateral separate and identifiable and at the address of Debtor shown herein, and Debtor will not remove collateral from such address without the written consent of Secured Party.
- g) Debtor shall perform all covenants and agreements set forth in this Security Agreement.
- h) Debtor shall insure collateral with companies acceptable to Secured Party against such casualties and in such amounts as Secured Party shall require. The insurance shall be for the benefit of Debtor and Secured Party as their interest may appear. Secured Party is hereby authorized to collect from the insurance company any amount that may become due under any of such insurance, and the Secured Party may apply the same to the obligations hereby secured.

SECTION 4 OBLIGATIONS OF SECURED PARTY

Secured Party shall make the loan to Debtor as agreed and as evidenced by the above-mentioned note.

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SECTION 5 PROCEEDS OF COLLATERAL

Debtor hereby grants to Secured Party a security interest in and to all proceeds of collateral as defined by Idaho Code Section 28-9-3061(1). This provision shall not be construed to mean that a debtor is authorized to sell, lease, or dispose of collateral without consent of Secured Party.

SECTION 6 FINANCING STATEMENT

At the request of Secured Party, Debtor will join in executing, or will execute, as appropriate, all necessary financing statements in a form satisfactory to Secured Party, and will pay the cost of filing such statements. Debtor will execute all other instruments deemed necessary by Secured Party and pay the cost of filing such documents. Debtor warrants that no financing statement covering collateral or any part thereof or any proceeds thereof is presently on file in any public office, except as described in Section 2.

SECTION 7 REIMBURSEMENT OF EXPENSES

Secured Party may at its option and at any time discharge taxes, or interest on collateral, perform or cause to be performed for and on behalf of Debtor any actions and conditions, obligations, or covenants that Debtor has failed or refused to perform, or pay for the repair, maintenance, and preservation of collateral. All sums so expended shall bear interest from the date of payment at the rate of eighteen percent (18%) per year, shall be payable at the place designated in the above mentioned note, and shall be secured by this security agreement.

SECTION 8 TIME OF PERFORMANCE

When performing any act under this security agreement and the note secured thereby, time shall be of the essence.

SECTION 9 WAIVER

Failure of Secured Party to exercise any right or remedy, including but not limited to the acceptance of partial or delinquent payments, shall not be a waiver of any obligation of Debtor or right of Secured Party or constitute a waiver of any other similar default subsequently occurring.

SECTION 10 DEFAULT

If Debtor fails to pay when due any amount payable on the above-mentioned note or on any other indebtedness of Debtor secured hereby, or shall fail to observe or perform any of the provisions of this agreement, Debtor shall be in default.

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SECTION 11 REMEDIES

On any default, and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable and may proceed to enforce payment of the same and exercise any and all of the rights and remedies provided by Idaho Code Section 28-9-501 through 28-9-507 as well as any and all other rights and remedies possessed by Secured Party.

SECTION 12 GOVERNING LAW

(a) This security agreement shall be construed according to chapter 9 of title 28, Idaho Code, and other applicable laws of the State of Idaho, and all obligations of the parties created hereunder are to be formed in the state of Idaho.

(b) All terms used herein that are defined in chapter 9 of title 28, Idaho Code, shall have the same meaning herein as therein defined.

IN WITNESS WHEREOF, the parties have executed this agreement.


Preston Whitney Irrigation Company by
Lyle Porter, President