

RECEIVED

JAN 27 2023

DEPARTMENT OF
WATER RESOURCESSTATE OF IDAHO
DEPARTMENT OF WATER RESOURCES**Notice of Security Interest in a Water Right**
and a request to be notified of a change in ownership or any proposed
or final action to amend, transfer, or otherwise modify the water right(s)Completed
2/6/23
[Signature]

Attach pages with additional information. Incomplete forms will be returned.

1.	Water Right/Claim No.	Water Right/Claim No.	Water Right/Claim No.	Water Right/Claim No.
	21-60B ✓			
	21-22 ✓			
	21-34 ✓			

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

SUPPORT DATA**IN FILE #** 21-22

State Of Idaho

Idaho Water Resource Board

PO Box 83720

Boise, ID 83720-0098

Phone 208-287-4800

Email IWRB2@idwr.idaho.gov

4. Name of Water Right Owner/Claimant(s)

Chester Canal & Irrigation

5. Expiration Date of Notification Period

January 1st, 2044

6. Is this a Renewal of Request for Notification?

☐ YES☒ NO

7. Signature(s) of Security Interest Holder(s)

Title, if applicable

Executive Officer, Idaho Water Resource Board

For Office Use OnlyReceived by _____ Date 1.27.23 Receipt No. _____ Fee _____

Processed by AJ _____ Date _____ WR _____ Date _____

Contract No. IWRB1035

**STATE OF IDAHO
WATER RESOURCE BOARD**



REVOLVING DEVELOPMENT ACCOUNT LOAN CONTRACT

with the

CHESTER CANAL & IRRIGATION LLC

For the

REPLACEMENT OF AGED INFRASTRUCTURE

IWRB Loan Contract



STATE OF IDAHO
WATER RESOURCE BOARD

REVOLVING DEVELOPMENT ACCOUNT LOAN CONTRACT AGREEMENT

LOAN CONTRACT dated December 1, 2022, between the IDAHO WATER RESOURCE BOARD (Board) and the CHESTER CANAL & IRRIGATION, LLC. (Sponsor).

This loan provides financing to the Sponsor to construct a water project that has met the criteria of the Board. The loan shall be used for the following purpose(s): Improvement of aged infrastructure and the construction of an independent canal.

INTRODUCTORY PROVISIONS

Article 1. DEFINITIONS When used in this contract, the following terms shall have the meanings hereinafter set forth:

- a. "Project Feasibility Report" means the engineering reports and supporting data.
- b. "Project" means all works and facilities proposed to be constructed by the Sponsor as described in Article 2 Project Description.
- c. "System" means the water supply, storage, and delivery facilities owned and operated by the Sponsor.
- d. "Loan commitment" means the maximum sum of money that the Board agrees to loan to the Sponsor under this contract as provided in Article 3 hereof.
- e. "Year" means fiscal year beginning July 1 and ending June 30 of the year following.
- f. "Quarter" means any period of three months beginning on the first day of July, October, January, or April in any fiscal year.

Article 2. PROJECT DESCRIPTION - The project shall consist of the replacement of aged irrigation system infrastructure and the installation of remote automation equipment.

Article 3. TERM OF CONTRACT - This Contract shall remain in effect until the principal amount of the loan, all interest thereon, and any money owed to the Board under this Contract has been paid in full.

LOAN PROVISIONS

Article 4. MAXIMUM LOAN AMOUNT - The Board will loan to the Sponsor in accordance with the provisions of this Contract a sum of money not to exceed THIRTY-FOUR THOUSAND, EIGHT HUNDRED NINETY-FIVE DOLLARS (\$34,895.00) at the rate of interest specified in Article 11.

Article 5. DISBURSEMENT OF FUNDS

a. Disbursements

- (1) Disbursement of the funds will be allowed upon completion of the following items:
 - Sponsor has provided acceptable security for the loan to the Board, including but not limited to the Sponsor's membership assessments, water rights, and facilities
 - Sponsor has established a reserve fund equal to one annual loan payment until the loan has been satisfied
 - Sponsor has complied with all rules and regulations that apply to the proposed project
- (2) Disbursements are to be based on design and construction progress, based on actual bills or invoices submitted to the Sponsor. The Sponsor may then submit the bills as invoices to the Board for approval and disbursement. Disbursement shall be made on a pro-rated basis in proportion to the other funding used for this project.

- (3) Five percent (5%) of the requested loan disbursements shall be withheld until the final disbursement for the project is made by the Board to the Sponsor.

- b. Construction Payments by Sponsor - The Sponsor may make design and construction progress payments using these loan funds only on the basis of work in place or materials delivered to the project site, pursuant to the terms of the construction contract or agreement between the Sponsor and the contractor, and for the payment of other costs necessarily incurred for the project's construction.

Article 6. WITHHOLDING OF DISBURSEMENTS

a. Conditions for Withholding Payment

- 1) If the Board determines that the project is not being constructed substantially in accordance with the provisions of this contract, or that the Sponsor has failed in any other respect to substantially comply with the provisions of this contract, the Board shall provide written notice of such failure. The Sponsor has fifteen (15) days, or some greater period authorized by the Board in its written notice, from receipt of the written notice, to remedy, to the Board's satisfaction, any failure to comply with this contract. If the Sponsor does not satisfactorily remedy the failure, the Board may withhold from the Sponsor all or any portion of the loan commitment. During the period which the Sponsor has to remedy such failure, the Board is not obligated to disburse to the Sponsor any portion of the loan commitment. The Board shall provide the Sponsor with prompt written notice of any decision to withhold from the Sponsor all or any portion of the loan commitment.
- 2) of the total loan commitment shall be withheld until the final project payment is requested by the Sponsor and approved by the Board.
- 3) Upon the completion of the project and before the final project disbursement is made the project shall be inspected by the Board's contracting officer or their designated representative. For the project to be found to be complete the entire system must be turned on, if requested by the contracting officer, and be fully operable at the time of the inspection. In the event that construction is not complete when the final project payment is requested, five percent (5%) of the total funds requested may be withheld until the project is completed.

- b. Withholding Entire Commitment - If the Board notifies the Sponsor that it has decided to withhold from the Sponsor, pursuant to subdivision (a) of this article, all of the loan commitment, this contract shall terminate upon receipt of such notice by the Sponsor and shall no longer be binding on either party hereto.

Article 7. USE OF FUNDS - Any and all money disbursed to the Sponsor under this contract shall be used solely for the payment of costs necessarily incurred by the Sponsor for the construction of the Project, including, but not limited to, the payment of interest hereunder during project construction, engineering expenses, legal expenses, land acquisition, materials purchases, payments to contractors, and the costs of acquiring any maintenance of the project.

Article 8. TIMING AND MANNER OF PROJECT DESIGN AND CONSTRUCTION

- a. Project Completion Date - The Sponsor shall cause the construction of the Project to be completed not later than January 1, 2024, provided that said date may be extended upon written approval of the Board.
- b. Progress Reports - The Sponsor shall, at the request of the Board's contracting officer or a designated representative, provide progress reports to the Board during project construction.
- c. Inspection of Construction - The Board requires the Board's contracting officer or a designated representative to perform a minimum of 1 inspection. Inspections, at a minimum, should coincide with construction of the new improvements and upgrades and at the completion of the project. The Sponsor is required to notify the Board's contracting officer or a designated representative prior to these operations so that the officer or representative can make arrangements to be present. If the Board's officer or designated representative cannot be present, the Sponsor, upon the approval of the Board's officer, must take photos of the installation process at that time and send them to the Board's officer.

- d. Determination of Project Completion - For the purposes of this contract, construction of the project is considered completed or terminated when so determined by the Board, or its contracting officer. Upon the completion of the project and before the final project disbursement is made, the project shall be inspected by the contracting officer or a designated representative. For the project to be found to be complete the entire system must be turned on, if requested by the inspector, and be fully operable at the time of the inspection. In case the construction is not complete at the time the final project payment is requested, of the total funds requested shall be withheld until the project is completed. The Board may require as-built drawings to be submitted.

REPAYMENT PROVISIONS

Article 9. STATEMENT OF PRINCIPAL AMOUNT OF LOAN

- a. Remittance of Unexpended Funds - After Sponsor receives written notice from the Board that the Board has either determined that the final disbursement of money has been made to the Sponsor pursuant to Article 5, or decided to withhold from the Sponsor pursuant to Article 6, the balance of the loan commitment where a portion of the loan commitment has been disbursed, the Sponsor shall remit to the Board any unexpended funds that were disbursed to the Sponsor under this contract but not needed to pay project construction costs incurred prior to the date such notice was given. Within a period of thirty (30) days from the date of the Board's written notice, Sponsor must remit any unexpended funds, or if no such funds exist, Sponsor shall transmit to the Board a written notice to that effect. Unexpended funds remitted to the Board under this subdivision shall be considered repayment of a part of the loan.
- b. Transmission of Statement to Sponsor - Within thirty (30) days after the Sponsor remits to the Board any unexpended funds or transmits its notice that no such funds exist, the Board shall transmit to the Sponsor a written statement setting forth the amount of the loan to be repaid by the Sponsor pursuant to Article 10. The amount to be repaid shall be the total amount disbursed to the Sponsor less any amount disbursed that may have been previously repaid or remitted to the Board by the Sponsor together with any and all accrued interest.

Article 10. REPAYMENT OF PRINCIPAL AMOUNT OF LOAN

- a. Repayment Terms - The Sponsor shall make **TWENTY (20)** annual and approximately equal payments to the Board repaying in full the principal amount of the loan funds disbursed together with interest pursuant to Article 11. The first annual payment is due not later than one year from the date of final disbursement of funds for the Project. The repayment schedule is subject to modification by agreement of the Board and the Sponsor.
- b. Advance Payment Option - The Sponsor shall have the option of paying in advance on any date all or any part of the unpaid portion of the principal amount of the loan; provided, that any interest accrued shall be paid at the same time.

Article 11. INTEREST PAYMENT

- a. Repayment Terms - The Sponsor shall pay interest to the Board at the rate of **three and thirty-three hundredths of a percent (3.33%)** per annum of the unpaid balance of the amounts of money disbursed to the Sponsor pursuant to this contract from the date of disbursement of each principal amount.

- b. Computation of Interest - The interest amount due on each disbursement shall be calculated as follows:

$$I = \frac{n}{365} \times (i) \times (p)$$

Where;

I = dollars of interest due

i = interest rate

p = unpaid balance of the disbursement

n = the number of calendar days from, but not including, the date on which a disbursement is made (or the date

of the last payment) to and including the date paid. The date of disbursement is defined as the date the check is mailed from or picked up from the Board's principal place of business. The date paid is the date the loan payment is received and stamped received at the central office of the Department of Water Resources in Boise.

Article 12. IMPAIRMENTS TO PAYMENT CAPACITY

- a. Disposal of Water Outside Sponsor's Project While this contract is in effect, no sale or other disposal of water for use outside the Sponsor's project shall be made by the Sponsor without prior approval by the Board, except for such agreements as may be in effect at the time of loan authorization by the Board. Such approval shall depend upon the Board's judgment of the effect of such action upon the Sponsor's capacity to make payments as provided in this contract.
- b. Change in Sponsor's Operation of Project While this contract is in effect, no change shall be made in the operation of the Sponsor's project which would, in the judgment of the Board, materially impair the Sponsor's capacity to make payments to the Board as provided for herein. The Sponsor agrees to operate and maintain the system to ensure its economic and efficient operation.
- c. Dissolution of Sponsor - While this contract is in effect, the Sponsor agrees to maintain its corporate identity and make no attempt to cause its corporate existence to be abolished.
- d. Transfer of Project Facilities - While this contract is in effect, the Sponsor shall make no attempt to transfer ownership or operation of the project facilities, or any part of the water system, or any water rights owned by the Sponsor, to another party without prior written approval by the Board.
- e. Other Obligations Against Project or System - While this contract is in effect, the Sponsor shall keep the project and system free and clear of all levies, liens and encumbrances, except for those created under this contract and those that may exist prior to this contract. The Sponsor shall not issue any superior liens, pledge, charge, or encumbrance of or against the project and system without the Board's prior written approval.
- f. Delivery of Water to Cease due to Non-Payment - The Sponsor shall not deliver water to users who are delinquent with their payments, charges, or assessments for water service. The Sponsor shall use any and all means at its disposal to collect delinquent payments, charges, or assessments for water service.
- g. Maintenance of Reserve Fund - While this contract is in effect, the Sponsor shall maintain a reserve fund equal to one annual loan payment.

ACCOUNTING AND REPORTING PROVISIONS

Article 13. ANNUAL FINANCIAL REPORT - While this contract is in effect, the Sponsor shall submit, at the request of the Board's contracting officer or a designated representative, an annual report of its finances on or before the scheduled date of the Sponsors' annual payment.

GENERAL AND OTHER PROVISIONS

Article 14. INSPECTIONS OF PROJECT BY BOARD The Board shall have the right to inspect the work being performed and the facilities being constructed at any and all times during the construction of the project. The Board also has the right to inspect the project and its operation and maintenance at any and all times after its completion, prior to repayment and termination of the loan contract. The Sponsor shall notify the Board of the Sponsor's final inspection of the project at least ten (10) days prior to the date for the inspection.

Article 15. BASIC OPERATION AND MAINTENANCE STANDARDS The Sponsor shall cause the project to be operated in an efficient and economical manner, shall provide for the making of all repairs, renewals, and replacements necessary to the efficient operation of the same, and shall cause the same to be maintained in as good and efficient condition as upon its construction, ordinary and reasonable wear and depreciation excepted.

Article 16. PROHIBITION AGAINST DISPOSAL OF PROJECT WITHOUT BOARD PERMISSION The Sponsor shall not sell, lease, transfer, exchange, mortgage, hypothecate or encumber in any manner whatsoever all or any portion

of the project or of any real or other property owned by the Sponsor and used in conjunction therewith without prior written permission of the Board.

Article 17. BOARD TO BE HELD HARMLESS FROM PROJECT DAMAGE The Sponsor agrees to indemnify the State of Idaho, the Idaho Water Resource Board, and their officers, agents, and employees against and to hold the same free and harmless from any and all claims, demands, damages, losses, costs, expenses, or liability due or incident to, either in whole or in part and whether directly or indirectly, the design, construction, operation, repair, maintenance, existence, or failure of the project, or of any of its works or facilities. The Sponsor may be required by the Board to carry a reasonable coverage of liability insurance for this purpose.

Article 18. REMEDIES NOT EXCLUSIVE The use of either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law. In the event suit for collection of any of the amounts due under this contract is required, the Board shall be entitled to collect from the Sponsor any costs and expenses of collection, including a reasonable attorney's fee.

Article 19. AMENDMENTS This contract may be amended in writing at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law.

Article 20. OPINIONS AND DETERMINATIONS Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

Article 21. CONTRACTING OFFICER OF THE BOARD The contracting officer of the Board shall be the Director of the Idaho Department of Water Resources or duly authorized representative. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the Board under the terms of this contract.

Article 22. SUCCESSORS AND ASSIGNS OBLIGATED This contract and all of its provisions shall jointly and severally apply to and bind the respective heirs, personal representatives, successors, and assigns of the parties hereto.

Article 23. ASSIGNMENT No assignment or transfer of this contract or any part shall be valid unless and until written approval is received by the Board and made subject to such reasonable terms and conditions as the Board may impose.

Article 24. WAIVER OF RIGHTS It is the intention of the parties that, from time to time, either party may waive any of its rights under this contract. Any waiver at any time by either party of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

Article 25. NOTICES All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the Board by its contracting officer and for the Sponsor by such officers as it may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed postageprepaid envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this contract.

Article 26. INSPECTION OF BOOKS, RECORDS, AND REPORTS During regular office hours, each of the parties and their duly authorized representative shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or related matters. Each of the parties shall maintain and make available for such inspection accurate records of all of its costs, disbursements, and receipts with respect to its activities under this contract.

Article 27. SUIT In the event suit is instituted to assert any right or privilege under this contract, the Board may recover as attorney fees such sum as the court may adjudge as reasonable in addition to the costs and disbursements allowed by law or court rule.

Article 28. REIMBURSEMENT The Sponsor shall pay for any cost incurred by the Board in filing, or perfecting any security interest including but not limited to, the providing of a mortgage insurance policy, or recording any instrument

executed pursuant to this contract. In the event these costs are not paid by the Sponsor they shall be paid by the Board and all costs, expenses, and related attorney fees shall forthwith be due to the Board with interest thereon from the date of such payments at the highest rate for which it is lawful to contract, and such amount shall be added to and be deemed a part of the debt.

Article 29. DEFAULT In the event that the Sponsor shall fail to pay any of the sums of money due under the Contract; then, as often as such failure of payment or breach of terms, conditions, covenants or provisions shall occur, the Board may at any time thereafter declare the whole of the principal sum, or as much remaining unpaid at the time of declaration, together with all sums of interest accrued, to be due and payable. The Board may, at any time after such failure of payment or breach of terms, conditions, covenants or provisions, proceed to compel payment of the full amount due and payable, or may exercise every right and remedy as a secured party under the law.

Article 30. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS - The Sponsor shall comply with all applicable local, state, and federal laws, rules, and regulations such as may govern any part of this project and contract. Failure on the part of the Sponsor to comply with any applicable local, state, and federal laws, rules and regulations shall not relieve the Sponsor of its financial obligations under this contract.

Article 31. RATE COVENANT - The Sponsor agrees that for the term of this contract the Sponsor shall establish, fix, prescribe, and collect rates and charges for water service or related services of the system, which after taking into account anticipated delinquencies, provide revenues sufficient to pay for all expenses of the system.

Contract No. IWRB1635

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the date first hereinabove written.

IDAHO WATER RESOURCE BOARD
P.O. Box 83720
Boise, ID 83720-9000

CHESTER CANAL & IRRIGATION CO
350 North 6th West
P.O. Box 15
Saint Anthony, ID 83445


Brian Patton, Executive Officer
Idaho Water Resource Board


Kelsey Miller, Secretary
Vance Blanchard, President
Chester Canal & Irrigation Company

ACKNOWLEDGMENT of Enterprize Canal Company, LTD.'s Signature

STATE OF IDAHO)

County of Elmore)

On this 19th day of Jan., 2023, before me the undersigned, a Notary Public in and for said State, personally appeared Kelsey Miller + Vance Blanchard, known to me to be the sec. + pres. of the Chester Canal that executed the instrument or the persons who executed the instrument on behalf of said Chester Canal, and acknowledged to me that they executed the same.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.




Notary Public for the State of Idaho
Residing at St. Anthony, Chester
Idaho, Commission expires: 1/29/24

ACKNOWLEDGMENT

STATE OF IDAHO)

)

County of Fremont

On this 19th day of Jan., 2023, before me the undersigned, a Notary Public in and for said State, personally appeared Kelsey Miller + Vance Blanchard, known to me to be the Sec & pres. of the St. Anthony Chapter that executed the instrument or the persons who executed the instrument on behalf of said St. Anthony Chapter, and acknowledged to me that executed the same.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Jennie Murri
Notary Public for the State of Idaho

Residing at St. Anthony Chapter

Idaho, Commission expires:

1/29/24



**IDAHO WATER RESOURCE BOARD
SECURITY AGREEMENT**

This Agreement is made and entered into this 1st day of December 2022, by and between the CHESTER CANAL & IRRIGATION, LLC. (Sponsor) and the IDAHO WATER RESOURCE BOARD (Board), an agency of the State of Idaho.

WITNESSETH

The Sponsor, for and in consideration of the funds advanced to the Sponsor, under the "Idaho Water Resource Board, Revolving Development Account Loan Contract" (Contract) dated the 1st day of December 2022 by and between the Sponsor and the Board, has granted, bargained, sold, conveyed, assigned, transferred and set over and by these presents does grant, bargain, sell, convey, assign, transfer and set over unto the Board, its successors and assigns, the following described property to secure the payment of that certain Note of the 1st day of December, in the principal sum not to exceed THIRTY-FOUR THOUSAND, EIGHT HUNDRED NINETY-FIVE DOLLARS (\$34,895.00) delivered and executed by the Sponsor, as makers to the Board as secured party and payee, with terms and conditions as more particularly designated therein.

WATER RIGHTS - All of the interest in the following water rights as listed in the record of the State of Idaho, Department of Water Resources.

Water Right #	Source	Diversion Rate (CFS)	Priority Date	Process
21-60B	Fall River	0.6 cfs	6/10/1887	License
21-22	Fall River	5.2 cfs	9/26/1889	License
21-34	Fall River	102 cfs	4/01/1896	License

PROJECT INFRASTRUCTURE - All easements, and rights of way, pipelines, water mains, wells, storage reservoirs, pumps, canals, dams, headgates, flumes, weirs water control structures, water treatment plants, and all other rights and privileges owned by the Sponsor or belonging to, or with, leading to, connected with, or usually had or enjoyed in connection with the above-described water rights in Fremont County, Idaho

TO HAVE AND TO HOLD the above-described property and all the same and to the Board, its successors, and assigns.

1. DEFAULT - In the event that the Sponsor fails to pay any of the sums of money when due under the Note; fails to comply with any of the terms, conditions, covenants or provisions of this Agreement, Note, or Contract; then, as often as such failure of payment or breach of terms, conditions, covenants or provisions shall occur, the Board may at any time thereafter declare the whole of the principal sum, with all sums of interest accrued thereon paid by the Sponsor on the Note or paid by the Sponsor under the provisions of this Agreement, to be at once payable. The Board may, at any time after such failure of payment or breach of terms, conditions, covenants, or provisions, as aforesaid, proceed to compel payment to be paid of the full amount due and payable and to compel payment to be paid of the full amount due and payable, or may exercise every right and remedy as a secured party under the law.
2. WARRANTY - The Sponsor has covenanted, agreed, and represented, and does covenant, agree, and represent to and with the Board as follows:
 - a. The Sponsor does warrant and will defend title unto the Board against claims and demands of all persons whomsoever against all the property subject to assignment under this Agreement.
 - b. The Sponsor will pay all sums of money specified in the Note referred to above, promptly as they become due, and that the Sponsor will pay all taxes, assessments and other charges that may be levied or assigned on any property subject to this Agreement when and as the same shall become due and payable. Sponsor will comply with all terms and conditions of this Agreement and any violation thereof shall constitute a default hereunder.
3. ATTORNEY FEES AND COSTS
 - a. In the event suit is instituted to assert any right or privilege under this Agreement, the Board may recover as attorney fees such sums as the court may adjudge reasonable in addition to the costs and disbursements allowed by law or court rule, together with the cost of any abstract of title or evidence of title procured and used in such proceeding and covering said property.
 - b. In the event the Board becomes a party plaintiff or defendant in any suit or legal proceeding in relation to the property described or referred to by this Agreement or any agreement given by Sponsor in connection herewith, Sponsor agree to pay on demand all reasonable attorney fees paid or incurred by the Board in connection with such suit or proceeding, including, but not limited to, any expenses paid or incurred in procuring or continuing abstracts of title, title reports or title policies and search of the records for the purpose of such litigation. All sums paid shall bear interest at the highest rate for which it is lawful to contract and shall constitute a lien upon the premises and property and be secured hereby. In default of immediate repayment thereof by the Sponsor after demand, the whole indebtedness secured hereby shall, at the option of the Board, become due and payable without notice.
4. RECEIVER: In the event proceedings are instituted for a breach of the terms and conditions of this Agreement, the Board shall, at its election, as a matter of right and without regard to sufficiency of the security or of waste or danger or misapplication of any of the properties of the Sponsor, be entitled to have a receiver appointed of all or any part of the property secured. The Sponsor expressly

consents to the appointment of a receiver by the court of competent jurisdiction and expressly stipulates, covenants, and agrees that such receiver may remain in possession and control of the secured property so elected until the final determination of such suit.

5. SUBROGATION: The Board shall be subrogated for further security to the lien, though released of record, of any and all prior encumbrances upon the rights subject to this Agreement.
6. CHATELS AND PERSONAL PROPERTY: Except for the purposes of making replacements of the chattels and other personal property subject to this Agreement and which the Sponsor now has or hereafter has or acquires and uses in connection with and as a part of the water system and facilities associated with the above described water rights, the Sponsor will not see or dispose of any of the chattels or personal property, nor attempt to do so, nor part with possession of any of the same, nor permit it to be removed from the secured, or from the adjoining or adjacent lands where such property may be located, while this Agreement remains in force and effect, without the prior written consent of the Board, which consent shall not unreasonably be withheld. Except for fire, strikes, riots, acts of God, or other unavoidable casualties, the chattels and other personal property subject to this Agreement shall at all times while this Agreement remains in force and effect be kept and maintained by the Sponsor, at the Sponsor's expense, in first class order, condition and repair. The Sponsor shall from time to time make all replacements of such property which may reasonably be necessary for the irrigation and cultivation of the premises. The Sponsor will neither commit nor suffer any damages or waste on or to the premises and such property nor do or permit to be done anything that may lessen or impair the value of the property, real or personal, or the lien or security.
7. LEASES OR OTHER INSTRUMENTS OR AGREEMENTS SUBORDINATED: Sponsor covenants and agrees that each and every term, condition and covenant of any and all leases or other instruments or agreements, oral or written relating to or affecting in any way the property described or referred to above, shall be and are made subject and subordinate to all of the terms, conditions and covenants of this Agreement.
8. TIMELY PERFORMANCES: Sponsor covenants and agrees to fully and timely perform each and every term, provision and condition of any and all instruments evidencing the Sponsor's easements, rights-of-way, licenses or other rights, privileges or interest in appurtenant to or used or enjoyed in connection with the installation, utilization or maintenance of the water system facilities, use or to be used in the supply or delivery of water to any of the property described and referred to or for access, required to be performed by the Sponsor. The Sponsor assigns such instruments and all their rights and interest to the Board as further security. Any assignment shall not affect any of the terms and conditions of this Agreement and shall terminate or be subject to reassignment by the Board to the Sponsor upon payment of the entire secure indebtedness. The Board shall have and is hereby granted the right, as its option, at any time within twenty days before performances or payment is required, to perform on behalf of the Sponsor any or all the terms, provisions and conditions in any instrument assigned to the Board that is required to be performed by the Sponsor. The Board, in its sole and exclusive judgment and discretion, may pay any sum of money the Board deems necessary to prevent the termination of any instrument, or the abandonment or loss of any of the Sponsor's rights or privileges provided by the instruments. The Sponsor agrees to immediately repay the Board, without notice or demand, any sums paid or expended, with interest at the same rate as specified in the secured NOTE on the principal, after default and maturity, and all such sums paid or expended by the Board, with interest, shall become a part of the secured indebtedness. If the Sponsor does not immediately repay the Board, the Sponsor shall be in default and the whole secured indebtedness shall, at the option of the Board, become due and payable without notice.

9. BOARD TO BE HELD HARMLESS FROM PROJECT DAMAGE: The Sponsor agrees to indemnify the State of Idaho, the Idaho Water Resource Board, and their officers, agents, and employees against and to hold the same free and harmless from any and all claims, demand, losses, costs, expenses, or liability due or incident to, either in whole or in part and whether directly or indirectly, the design, construction, operation, repair, maintenance, existence, or failure of the project, or any of the works or its facilities. The Sponsor may be required by the Board to carry a reasonable coverage of liability insurance for this purpose.
10. INTERPRETATION: Words used herein shall include the singular or plural, and feminine, masculine or neuter as the context may require.
11. CONTINUING OBLIGATION: The rights and obligations herein shall inure to and be binding upon the successors, heirs, executors, administrators, and assigns of the respective parties.
12. APPLICABLE LAW: This Agreement shall be governed and construed according to the laws of the State of Idaho.

IN WITNESS WHEREOF, Sponsor has hereunto affixed hands and seals as of the day and year of this instrument.

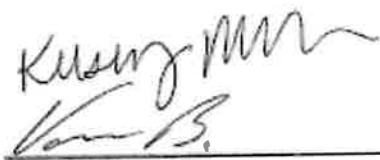
DATED this 3rd day of November 2022.

Chester Canal & Irrigation Co

350 North 6th West

P.O. Box 15

Saint Anthony, ID 83445

A handwritten signature in cursive script, appearing to read "Kelsey Miller", is written over a horizontal line.

Kelsey Miller, Secretary

Vance Blanchard, President

Chester Canal & Irrigation Co

ACKNOWLEDGMENT

STATE OF IDAHO)

)

County of Fremont

On this 19th day of Jan., 2023, before me the undersigned, a Notary Public in and for said State, personally appeared Lelsen Miller + Vance Blanchard known to me to be the Sec. + Pres. of the Chester Canal that executed the instrument or the persons who executed the instrument on behalf of said , and acknowledged to me that executed the same.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Jennie Murri
Notary Public for the State of Idaho

Residing at St. Anthony, Chester.

Idaho, Commission expires:

1/29/24

AGREEMENT accepted by:

State of Idaho

IDAHO WATER RESOURCE BOARD

322 East Front Street

P.O. Box 83720

PO Box 83720

Boise, ID 83720-0098



Bryan Patton
Executive Officer
Idaho Water Resource Board