

SECURITY AGREEMENT

This Agreement is made between Guy Lynn Phelps & Larry Phelps called Debtor (meaning any or all parties named above, whether one or more) and the Nevada State Department of Agriculture (350 Capitol Hill Avenue, P. O. Box 11100, Reno, Nevada 89510), Rural Rehabilitation Trust Fund, hereinafter called Secured Party.

WHEREAS, Debtor is or will be indebted to Secured Party and desires to give security for all such indebtedness.

NOW, THEREFORE, Debtor grants to Secured Party a security interest in the property described on the reverse side of this Agreement, called Collateral. The Collateral is security for payment of the loan made concurrently with this Agreement.

Debtor warrants, covenants and agrees with Secured Party that:

1. **WARRANTIES** - (a) All statements contained in the Debtor's loan application(s) are true and correct; (b) Proceeds of all loans will be used for the purposes agreed upon; (c) Debtor is the owner of the Collateral free and clear of any lien, encumbrance or security interest except as stated on the Debtor's loan application(s); and (d) Debtor will defend the Collateral against any claim or demand adverse to Secured Party's interest.
2. **PAYMENT** - Debtor will pay when due all indebtedness secured by the Agreement, together with interest, and all rent, taxes, levies, assessments or other claims which are or may become liens against the Collateral.
3. **INSURANCE** - Debtor will insure the Collateral in such amounts and in such manner as may be required by the Secured Party and will pay all insurance premiums when due.
4. **CARE OF COLLATERAL** - Debtor will care for the Collateral in a good and husbandlike manner; will keep in good standing all brands and rights to water, rangeland, grazing privileges and leases held by Debtor and used in connection with the Collateral and will not further encumber, sell, remove or otherwise dispose of the Collateral or said rights without the written consent of the Secured Party.
5. **INSPECTION** - Secured Party shall have the right to inspect the Collateral at any time, and to that end Debtor agrees to gather the Collateral at a place to be designated by Secured Party which is reasonably convenient to both parties.
6. **PRESERVATION OF COLLATERAL** - If the Debtor fails to attend to and care for the Collateral as agreed, the Secured Party at its option may enter upon Debtor's premises, exercise all Debtor's rights to use brands, water, rangeland, grazing privileges, and leased land and perform all things which may be necessary to preserve or market the Collateral at Debtor's expense or if Debtor fails to pay, when due, any rent, taxes, levies, assessments, insurance premiums or other claims as agreed, the Secured Party at its option may pay the same or any part thereof without waiving its right to enforce this Agreement for default and all such expenses incurred and amounts paid by Secured Party, including reasonable attorney's fees and legal expenses shall be added to the indebtedness hereby secured and bear interest at the Secured Party's then current loan rate from the date of payment.
7. **DUE DATE** - Upon the death of Debtor or upon the filing by or against Debtor of a petition for relief under the Federal Bankruptcy Act or under the insolvency laws of any state or upon the making by Debtor of an assignment for the benefit of creditors or upon the levy by a creditor upon any of the Collateral, or in case Secured Party deems itself unsecured at any time, the entire indebtedness secured hereby shall, at the option of Secured Party, become immediately due and payable.
8. **DEFAULT** - Default by Debtor occurs when any of the following performances take place: (1) Nonpayment of principal or interest; (2) Nonpayment of taxes or insurance on the Collateral; (3) Destruction or substantial damages to Collateral or unreasonable depreciation in value of Collateral; (4) Death of Debtor (or failure to maintain corporate existence in good standing); (5) Involvement of Debtor in proceeding under Bankruptcy Act or under State law for debt adjustment receivership, assignment for benefit of creditors; (6) Seizure of Collateral by other creditors; (7) Change of use or location of Collateral of other than normal practice without notice or consent of Secured Party; (8) Failure to perform any other obligations of the Security Agreement. The entire indebtedness hereby secured shall, at the option of Secured Party may proceed to enforce its security interest by any means provided herein or under the uniform Commercial Code-Secured Transactions, or otherwise allowed by law. Upon demand Debtor shall assemble the Collateral and make it available to Secured Party on the premises of the Debtor or at any other place designated by Secured Party which is reasonably convenient to both parties. All reasonable expenses, including legal expenses and attorney's fees, incurred by the Secured Party in the exercise of its right to take possession and dispose of the Collateral must be paid in order to redeem the Collateral or in the event of sales shall be paid from the proceeds thereof.
9. **OPTIONAL ADVANCES** - Nothing herein shall be construed to obligate the Secured Party to make any additional loans or advances to the Debtor.
10. **SETOFF** - Secured Party may at any time exercise the right of setoff with respect to any money held for the account of Debtor.
11. **PAYMENT OF PROCEEDS** - At any time the Secured Party may notify an account debtor or holder of any proceeds from sale of Collateral that it has a security interest in said account or proceeds and thereafter receive direct payment from said party.
12. **RELEASES** - Secured Party may release all the Collateral or any portion thereof with or without requiring a reduction of the debt hereby secured and said release shall not affect Debtor's ability to pay the remaining indebtedness.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of the Debtor shall bind its heirs, executors, administrators, successors and assigns. If there be more than one Debtor, their obligations hereunder shall be joint and several.

DESCRIPTION OF COLLATERAL

CROPS: All crops now standing or planted and all crops planted or grown or that may be planted or grown on the land described below within the maximum period allowed by the Uniform Commercial Code of the State in which said crops are grown, or in the absence of a maximum period provided therein, within five years from the date hereof and thereafter until payment in full of all indebtedness secured by this Agreement. If no crops are to be included as collateral, write "None" here.

LIVESTOCK AND POULTRY

Number	Kind or Class	Age	Breed or Description	Brand	Tattoo or Earmark	
					Location of Brand	Right Left
X 12	Cows	3-5 yrs.	Black Angus HERFORD 62			

EQUIPMENT AND OTHER COLLATERAL:

All products of the above Collateral and all proceeds from sale of said Collateral or products.

The land on which all crops are growing or will be growing and on which other Collateral described herein will normally be located for inspection purposes is situated in:

Diamond Valley, Eureka
County(ies), State of Nevada, and described or commonly known as follows:

Family Ranch, 30 miles north of Eureka on County Road 101

COSIGNER. Cosigner signing below agrees that in the event the Debtor fails to repay the indebtedness as provided by the Promissory Note that subject Cosigner will assume the responsibility of the Debtor to maintain the Collateral and repay the balance of the indebtedness plus accrued interest.

DATED: Aug 21 - 1981

Aug 21 - 1981

Guy Lynn Phelps
(Debtor) Guy Lynn Phelps

Larry Phelps
(Cosigner) Larry Phelps

Diamond Valley Rt., Box 46, Eureka, Nv 89316
(Address of Debtor)

Same
(Address of Cosigner)

Stanley Zarnis
Box 630 Eureka, Nevada 89301

Stanley Zarnis
Same

RECORDED AT REQUEST
Nevada State Dept. of Administration
BOOK 97 PAGE 91
81 SEP 3 1981
OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
FILED IN 81885
FEE \$5.00