

108167

SECURITY AGREEMENT

WILLIAM C. MARSHALL and RACHEL G. MARSHALL, his wife, of Eureka County, Nevada, hereinafter called "DEBTOR", for valuable consideration, receipt whereof is hereby acknowledged, hereby grants to NEVADA-RINGSBY FARMS, INC., a Nevada corporation, hereinafter called "SECURED PARTY", a security interest in the following property, hereinafter called the "COLLATERAL":

All irrigation equipment, including one Lockwood Pivot System.

TOGETHER WITH all substitutions, products and replacements of the foregoing, and all the proceeds and accounts receivable resulting from the sale or other transfer thereof.

To secure the following obligations hereinafter collectively referred to as the "OBLIGATIONS":

A. The payment of \$77,500.00 as evidenced by the Promissory Note dated May 29, 1987, made by Debtor in favor of Secured Party, attached hereto and made a part hereof as Exhibit A, and hereinafter referred to as the "Note"; and

B. The payment of all expenditures by Secured Party relating to the Collateral including, without limitation, for discharging liens, security interests, encumbrances and taxes, insurance, repairs to and maintenances of the Collateral; and

C. The payment of all costs and expenses, including attorney's fees, incurred by Secured Party in the collection and enforcement of the Note and other indebtedness of the Debtor; and in the repossession, storage, preparation for sale, advertising for sale of the Collateral; and

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- D. The payment of all future advances, if any; and
- E. The payment of any and all liabilities of Debtor to Secured Party now existing or hereafter incurred, matured or unmatured, direct or contingent, and any renewals and extensions thereof and substitutions therefor; and
- F. All payments required by any other documents additionally securing the Note; and
- G. Interest upon all of the foregoing at the rate of interest contained in the Note.

1. The parties herein shall be referred to in the singular gender without regard to the actual number of debtors or secured parties.

2. The Collateral shall be used by Debtor as a part of the farming business located in Eureka County, Nevada. This business shall hereinafter be referred to as the "Business" and this address shall hereinafter be referred to as the "Debtor's principal place of business". For all notices required hereunder, the above address of the Debtor shall be conclusive unless otherwise designated in writing by Debtor.

3. Debtor warrants and covenants that Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrances except for the security interest granted hereby.

4. Debtor warrants and covenants that with respect to any Collateral in which Debtor has no present interest, Debtor will be, at the time of Debtor's acquisition of an interest therein, the lawful owner of such Collateral, free of any third party interest including, but not limited to, all rights, claims, liens, security interests or encumbrances whatsoever; provided however, that Debtor may allow a purchase money security interest to attach to the Collateral as provided hereinbelow.

5. That Debtor shall not sell, offer to sell, or in any way transfer any interest in the Collateral, or any of it, or permanently remove the same from the Debtor's principal place of business without the prior written consent of the Secured Party; provided however, that so long as Debtor shall not be in default under this agreement, Debtor may sell any of the Collateral in the ordinary course of the business, such as for the purpose of replacing worn out equipment with like kind equipment of equal or greater value. In the event of such a sale in the ordinary course of business, Secured Party shall acquire a first security interest in the replacement goods, substitutions and proceeds thereof, unless a purchase money security interest is so created, in which event Secured Party shall acquire a second security interest. No consent to a sale of any item of collateral not in the ordinary course of business shall be deemed an authorization of such sale as free of the security interest under NRS 104.9306, unless such consent is unconditional, in writing and expressly waives the security interest as to such item of collateral.

6. If the Debtor sells or in any way transfers any interest in the Collateral, or any of it, in contravention of this Security Agreement, in addition to all consequence of such a default therefor accruing, Debtor shall immediately notify Secured Party of such transaction in writing particularly describing the terms of the transaction and all parties thereto. In the event of such authorized sale or transfer, the security interest shall attach to the proceeds thereof and all cash and non-cash proceeds shall be immediately delivered to Secured Party, upon Secured Party's demand following such notification.

7. Debtor hereby appoints Secured Party as Debtor's attorney in fact to prepare, sign and file or record, for Debtor, any financing statements, continuation statements, and like papers, and to take any other action deemed by Secured Party

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necessary or desirable in order to perfect and keep perfected the security interest of the Secured Party hereunder, and to perform any obligation of Debtor, at the expense of Debtor, but without obligation to do so.

8. Debtor will have and maintain insurance at all times with respect to all Collateral against risks of fire, of theft, or other loss in at least the sum of \$ 50,000.00. In the event of loss, the proceeds from the policy may be escrowed and used for repair or replacement of the damaged Collateral, but if not so used within 90 days from date of loss, then the same shall be applied upon accrued interest to date, and the principal of the Note, and if any remaining, the same shall be delivered to Debtor. All insurance policies shall show the respective interests of the parties hereto.

9. Debtor shall maintain the Collateral in the same condition as of the date hereof, reasonable wear and tear excepted.

10. Except as otherwise herein allowed, Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance.

11. Debtor will not use the Collateral or any part thereof in violation of any statute, ordinance, or governmental regulation.

12. Secured Party may examine and inspect the Collateral at any reasonable time, wherever located.

13. Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation.

14. Secured Party shall have the right, but not the obligation, to discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral to pay for insurance on the Collateral and to pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party on demand for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization,

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together with interest thereon at the annual rate of interest contained in the Note from date of disbursement by Secured Party.

15. Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this agreement, the law or with any policy of insurance thereon.

16. Debtor shall be in default under this agreement upon the happening of any of the following events or conditions:

A. The nonpayment, when due, in whole or in part, of the obligations secured hereby;

B. The nonperformance of any obligation, covenant, or liability of Debtor contained herein, or in any document additionally securing the Note;

C. Except as otherwise herein provided, loss, theft, substantial damage, destruction, danger of misuse, confiscation, sale, or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment thereof or thereon, not released within 30 days;

D. Dissolution, termination of existence, insolvency, business failure, appointment of a receiver over any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor or any guarantor or surety for Debtor;

E. Any other act or omission on the part of Debtor which impairs, or threatens to impair:

- (1) the value of the Collateral,
- (2) the prospect of payment of the obligations, or
- (3) the prospect of performance of any other covenants.

17. Upon such default, or at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable and shall have the remedies of a secured party under the Uniform Commercial Code, Chapter 104 of NRS; and, in addition, and without limitation, Secured Party

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may:

(1) Take immediate possession of the Collateral, and Debtor agrees: (i) upon demand to surrender possession thereof to Secured Party peaceably; (ii) that Secured Party may employ any and all means reasonably necessary within its sole discretion to gain possession of the Collateral; and (iii) Secured Party, its successors and assigns, agents, servants, attorneys and employees are hereby released from any cause or causes of action, claims demands, obligations or liabilities whatsoever claimed to exist by reason of taking possession or removal of the Collateral; and

(2) Sell and dispose of all or any portion of the Collateral as a unit or in parcels, at public or private sale, conducted in the county in which Secured Party has its principal place of business, with or without having the Collateral at the place of sale, or, without removal of the Collateral, upon the premises of Debtor, and upon the terms and in such manner as Secured Party may determine. Secured Party will give Debtor at least five (5) days prior written notice of the time and place of any public sale or of the time after which any private sale or any other intended disposition may be made. Upon the sale of the Collateral, Secured Party may retain the unpaid principal balance of the Note and interest together with all sums sufficient to satisfy all other Obligations secured hereby. Secured Party or Secured Party's agents, successors or assigns may purchase all or any part of the Collateral at any such sale. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Collateral at any sale held hereunder, and

18. In the event that Secured Party repossess the Collateral upon the default of the Debtor, Debtor shall execute and deliver all documents necessary to enable Secured Party to regularly carry on the Business.

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19. No waiver by Secured Party of any default hereunder shall operate as a waiver of any other default or of the same default on a future occasion.

20. If there be more than one Debtor, their liability and obligations hereunder shall be joint and several.

21. Debtor waives all right to require Secured Party to proceed against any other person including any other Debtor hereunder or to apply any Collateral which Secured Party may hold at any time or to pursue any other remedy. The Collateral or the endorsers or guarantors of the Note may be released, substituted or added without affecting the liability of Debtor hereunder. Debtor waives any right of subrogation and any right to participate in Collateral until all Obligations hereby secured have been paid in full.

22. Debtor agrees that Secured Party shall not be liable to Debtor or to any other person for injury or damage that may result to any person or property by reason of the use or condition of the Collateral or any part thereof, and Debtor further agrees to defend and keep Secured Party free and harmless from any and all costs, damages, losses, expenses, claims or liability arising out of or connected with, directly or indirectly, the use, management or condition of the Collateral.

23. Coincidentally herewith, Debtor has executed a Deed of Trust (hereinafter referred to as the "Deed of Trust") in favor of Secured Party as Beneficiary as additional security for the Note. A default in the performance of any obligation, covenant or liability of the Debtor herein provided shall constitute a default under the Deed of Trust, and any default under the Deed of Trust shall constitute a default under this Agreement. In addition to any rights or remedies provided herein, Secured Party may have and exercise all other rights and remedies as provided for by law and by the Deed of Trust, and shall have the

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right to enforce one or more remedies hereunder successively or concurrently and any such action shall not estop or prevent Secured Party from pursuing any further remedy which it may have hereunder or by law or under the Deed of Trust. Secured Party's rights and remedies herein shall not be affected in any way by the fact that the Note is also secured by the Deed of Trust.

In the event that Secured Party desires to sell the collateral, it shall be deemed a commercially reasonable disposition for all of the collateral to be sold as a unit concurrently with all of the real property encumbered by the Deed of Trust as one package of combined real and personal property.

24. Debtor shall farm the above described real property according to the dictates of good husbandry, as defined by the farming practice in the area of Debtor's principal place of business including, without limitation, planting at the appropriate time, and keeping all crops upon such real property in good condition, watered, fertilized, irrigated and cultivated. In addition shall apply Debtor's water rights to a beneficial use to the end that the same shall not be lost or impaired by abandonment or forfeiture.

25. This Security Agreement shall become effective when it is signed by Debtor.

26. This Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

Signed in duplicate and delivered on this 29th day of May, 1987. Secured Party need only sign if Agreement is to be used as Financing Statement.

STATE OF NEVADA)

) ss.

COUNTY OF ELKO)

On this 29th day of May, 1987, there personally appeared before me, a Notary Public, WILLIAM C. MARSHALL and RACHEL G. MARSHALL, who acknowledged to me that they executed the foregoing instrument.

DEBTOR:

William C. Marshall
WILLIAM C. MARSHALL

Rachel G. Marshall
RACHEL G. MARSHALL

NOTARY PUBLIC



WILLIAM C. MARSHALL AND RACHEL G. MARSHALL
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\$77,500.00

Eureka, Nevada, May 29, 1987

FOR VALUE RECEIVED, we jointly and severally promise to pay to the order of NEVADA-RINGSBY FARMS, INC., a Nevada corporation, at Elko, Nevada, or wherever payment may be demanded by the holder of this Note, the sum of SEVENTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$77,500.00), together with interest to accrue upon the declining balance at the rate of nine percent (9%) per annum from the 1st day of June, 1987, until paid, all in the manner following, to-wit:

\$10,000.00, on or before the 1st day of June, 1988, and a like sum on or before the 1st day of June of each and every year thereafter until eight years from date hereof at which time the entire balance shall be paid in full. Said yearly payments shall be applied first to accrued interest to date thereof and the remainder upon the principal.

The Makers may, at their option, make additional payments or pay the entire unpaid principal, with accrued interest, in full at any time. Said payments shall be applied first to accrued interest to date of payment and the remainder upon the principal. Said additional payments shall not be cumulative payments, but the Makers shall, in all events, pay at least the sums required by the above payment schedule.

The Makers and endorsers waive demand, diligence, presentment, protest and notice of protest and nonpayment.

In the event of default in the payment of any sum of principal or interest, or both, due hereunder, according to the terms and tenor hereof, or in the performance of any of the provisions of any security instruments now or hereafter securing this Note, the holder may, at its option, declare the entire amount of principal and interest due and payable. Failure to exercise such option shall not constitute a waiver of the right to exercise it in the event of any subsequent default.

In case of default in the payment of any part of the principal or interest due hereunder, we jointly and severally promise and agree to pay the holder's reasonable attorney fee and costs incurred in collecting the same before and during litigation or nonjudicial foreclosure.

Each payment hereunder which is more than fifteen (15) days late, shall bear a penalty of 15% of the payment, in addition thereto.

This Note is secured by Deed of Trust and Security Agreement of even date herewith.

RECORDED AT REQUEST OF
Frontier Title Co.
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OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
N.H. REPAIR & RECORDER
FILE NO. 108167
FEE \$ 13.00

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EXHIBIT A

/s/William C. Marshall
WILLIAM C. MARSHALL

/s/Rachel G. Marshall
RACHEL G. MARSHALL