



COLORADO

Colorado Water Conservation Board

Department of Natural Resources
1313 Sherman Street, Room 718
Denver, CO 80203
303-866-3441

October 26, 2021

Headgate 396 Lateral Corporation
PO box 3724
Grand Junction, CO 81502

Subject: Loan Contract No. C150234
Loan Compliance Confirmation

Attached for your records are the original documents relative to the agreement between the Headgate 396 Lateral Corporation and the Colorado Water Conservation Board (CWCB), Loan Contract No. C150234. The documents have been stamped "PAID IN FULL" denoting that the Corporation has satisfied the terms of the agreement in full.

Should you have any questions, please contact me at Telephone No. (303) 866-3441, ext 3205 or email at lauren.miremont@state.co.us. If we can be of any further assistance to you in the near future, please let us know.

Sincerely,

Lauren Miremont

Lauren Miremont, Finance Manager
Finance Section

Attachments

cc: CWCB Files



Deed of Trust

DATE: February 26, 2007
GRANTOR: THE HEADGATE 396 LATERAL CORPORATION
BENEFICIARY: COLORADO WATER CONSERVATION BOARD
COUNTY: MESA
PRINCIPAL LOAN AMOUNT: \$232,300
LOAN CONTRACT: Loan Contract No. C150234, dated February 26, 2007
TERMS OF REPAYMENT: 2.50% per annum for 30 years
COLLATERAL: An undivided 100 percent interest in any rights to the 396 Lateral that the Grantor holds, including approximately 7,000 feet of pipeline commencing at the Headgate ML-396, Mesa County, Colorado, and any easements, rights-of-way, or other property or property interests held and used in connection with the access and operation of said ditch.

This indenture is between the Grantor, and the Public Trustee of the above referenced COUNTY, State of Colorado ("PUBLIC TRUSTEE"),

FACTUAL RECITALS

1. The GRANTOR has executed a Promissory Note of even date and amount, set forth in the LOAN CONTRACT, for a loan in the PRINCIPAL LOAN AMOUNT to be repaid to the BENEFICIARY, with TERMS OF REPAYMENT and in accordance with the Promissory Note or until loan is paid in full.
2. The GRANTOR is desirous of securing payment of the PRINCIPAL LOAN AMOUNT and interest of said Promissory Note to the BENEFICIARY.

The GRANTOR, in consideration of the premises and for the purpose aforesaid, does hereby grant, bargain, sell and convey unto the said PUBLIC TRUSTEE in trust forever, the above described COLLATERAL.

To have and to hold the same, together with all appurtenances, in trust nevertheless, that in case of default in the payment of said Promissory Note, or any part thereof, or the interest thereon, or in the performance of any covenants hereinafter set forth or in said Promissory Note or LOAN CONTRACT, then upon the BENEFICIARY filing notice of election and demand for sale, said PUBLIC TRUSTEE, after advertising notice of said sale weekly for not less than four weeks in some newspaper of general circulation in said COUNTY, shall sell said COLLATERAL in the manner provided by law in effect at the time of filing said notice and demand, at public auction for cash, at any proper place designated in the notice of sale. Out of the proceeds of said sale, the PUBLIC TRUSTEE shall retain or pay first all fees, charges and costs and all moneys advanced for taxes, insurance and assessments, or on any prior encumbrance, with interest thereon and pay the principal and interest due on said Promissory Note, rendering the overplus, if any, unto the GRANTOR; and after the expiration of the time of redemption, the PUBLIC TRUSTEE shall execute and deliver to the purchaser a deed to the COLLATERAL sold. The BENEFICIARY may purchase said COLLATERAL or any part thereof at such sale.

The GRANTOR covenants that at the time of the delivery of these presents, it is well

seized of the COLLATERAL in fee simple, and has full power and lawful authority to grant, bargain, sell and convey the same in the manner and form as aforesaid. The GRANTOR fully waives and releases all rights and claims it may have in or to said COLLATERAL as a Homestead Exemption or other exemption, now or hereafter provided by law. The GRANTOR further covenants that the collateral is free and clear of all liens and encumbrances whatever and that the GRANTOR shall warrant and forever defend the COLLATERAL in the quiet and peaceable possession of the PUBLIC TRUSTEE, its successors and assigns, against all and every person or persons lawfully claiming or to claim the whole or any part thereof.

Until payment in full of the indebtedness, the GRANTOR shall timely pay all taxes and assessments levied on the COLLATERAL; any and all amounts due on account of the principal and interest or other sums on any senior encumbrances, if any; and will keep the COLLATERAL insured in accordance with the requirements of the LOAN CONTRACT. In the event of the sale or transfer of the COLLATERAL, the BENEFICIARY, at its option, may declare the entire balance of the note immediately due and payable.

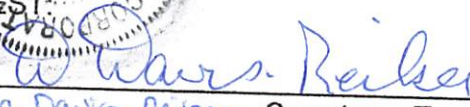
In case of default in any of said payments of the principal or interest, according to the terms of said Promissory Note or LOAN CONTRACT, by the GRANTOR, its successors or assigns, then said principal sum hereby secured, and interest thereon, may at once, at the option of the BENEFICIARY, become due and payable, and the said COLLATERAL be sold in the manner and with the same effect as if said indebtedness had matured, and that if foreclosure be made by the PUBLIC TRUSTEE, an attorney's fee in a reasonable amount for services in the supervision of said foreclosure proceedings shall be allowed by the PUBLIC TRUSTEE as a part of the cost of foreclosure, and if foreclosure be made through the courts a reasonable attorney's fee shall be taxed by the court as a part of the cost of such foreclosure proceedings.

It is further understood and agreed, that if a release or a partial release of this Deed of Trust is required, the GRANTOR, its successors or assigns will pay the expense thereof; that all the covenants and agreements contained herein and in the Promissory Note and LOAN CONTRACT shall extend to and be binding upon the successors or assigns of the respective parties hereto; and that the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

Executed the day and date first written above.

The Headgate 396 Lateral Corporation, a
Colorado nonprofit corporation

By 
Dave McDonald, President

By 
Diana Davis-Reiber, Secretary - Treasurer

County of Mesa

State of Colorado

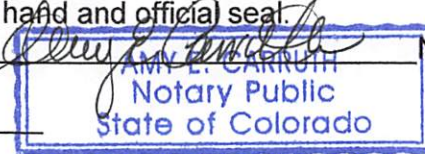
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) SS
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Appendix 5 to Loan Contract C150234

Page 2 of 3

The foregoing instrument was acknowledged before me this 22 day of February 2007, by Dave McDonald and ^{Diana Davis}~~Reiber~~, as President and Secretary - Treasurer, respectively, of The Headgate 396 Lateral Corporation. Witness my hand and official seal.

My commission expires 7/25/09



Return recorded deed of trust to: CWCB Finance Section, Attn: Contract Manager, 1580 Logan Street, Suite 750, Denver CO 80203 (Phone Number 303-866-3462)

PROMISSORY NOTE

Date: February 26, 2007
Borrower: The Headgate 396 Lateral Corporation
Principal Amount: \$232,300
Interest Rate: 2.50% per annum
Term of Repayment: 30 years
Loan Contract No.: C150234, dated February 26, 2007
Loan Payment: \$11,098.75
Payment Initiation Date*: _____
Maturity Date*: _____

* Payment Initiation Date and Maturity Date fields are filled in after the project has been substantially completed.

1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this promissory note.
2. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable one year from Payment Initiation Date (the date the CWCB determines that the project is substantially complete), and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
3. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 721, Denver, Colorado 80203.
4. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
5. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
6. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
7. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER. The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement and Deed of Trust ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the CWCB, including the right to accelerate the maturity of this Note in certain events.
8. If any annual payment is not paid when due or any default under the LOAN CONTRACT or the Security Instruments securing this Note occurs, the CWCB may declare the entire outstanding

Appendix 2 to Loan Contract C150234

principal balance of the Note, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this Promissory Note.

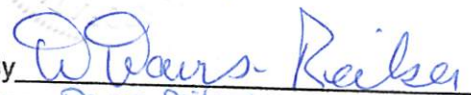
9. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.

10. This Note shall be governed in all respects by the laws of the State of Colorado.

BORROWER: The Headgate 396 Lateral Corporation

By 
Dave McDonald, President

Attest:

By 
Dana Davis-Reiber, Secretary - Treasurer

PAID IN FULL

Amendment No. 1 to Deed of Trust

Date: April 1, 2008
Grantor (Borrower): Headgate 396 Lateral Corporation
Beneficiary (Lender): Colorado Water Conservation Board
Date of Deed of Trust: February 26, 2007
Recording Date of Deed of Trust: April 17, 2007
County of Recording ("County"): Mesa
Deed of Trust Recording Information: 2375418, BK 4402, PG 839 (3 pages)
Loan Contract: C150234, dated February 26, 2007,
amended April 1, 2008
Promissory Note: \$128,991.20, 2.5%, 30 years, dated
April 1, 2008

This Amendment to the Deed of Trust is between the Grantor and the Public Trustee of the County, State of Colorado.

The Original Deed of Trust was recorded to secure repayment of the indebtedness evidenced by Loan Contract and Promissory Note between the Grantor and the Beneficiary.

Based upon a principal payment made by Grantor from funds delivered from the United States Department of Agriculture, the principal amount of the loan has been reduced.

Grantor and Beneficiary have agreed to amend the Original Deed of Trust to \$43,322.34 to reflect the revised principal and annual loan payment amount.

NOW THEREFORE, the CWCB and Grantor agree that:

1. The second full paragraph of the Original Deed of Trust is hereby amended to read as follows:

The Grantor has executed a Promissory Note dated April 1, 2008, to secure the repayment of the indebtedness evidenced by Contract No. C150234 dated August 8, 2005, as amended on April 1, 2008, for the total principal sum of \$128,991.20, to be repaid to the State of Colorado for the use and benefit of the Department of Natural Resources, Colorado Water Conservation Board ("CWCB") the beneficiary herein, whose address is 1313 Sherman Street, Room 721, Denver, CO 80203, payable in 30 annual installments, in accordance with said Promissory Note, or until the loan is paid in full.

2. In the event of any conflict, inconsistency, variance, or contradiction between the provisions of this amendment and any of the provisions of the original deed of trust, the provisions of this amendment shall in all respects supersede, govern, and control.

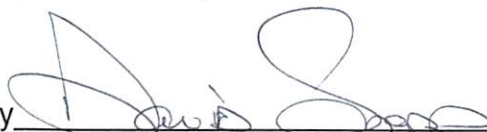
Appendix C to Loan Contract C150234 Amendment No. 1

3. Any provisions of the original deed of trust not expressly modified herein remain in full force and effect.


Executed on the date first written above.

GRANTOR: Headgate 396 Lateral Corporation

(SEAL)

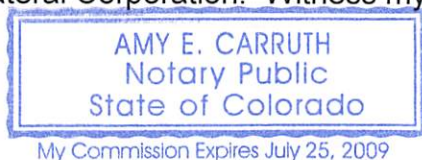
By 
David Snapp, President

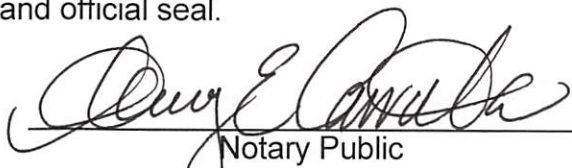
ATTEST:

By 
David McDonald, Secretary

State of Colorado)
County of Mesa) ss.

The foregoing instrument was acknowledged before me on April 30, 2008, by David Snapp as President and David McDonald as Secretary of the Headgate 396 Lateral Corporation. Witness my hand and official seal.




Notary Public

My commission expires 07/25/2009

Return recorded document to: CWCB Finance Section, Attn: Contract Manager, Colorado Water Conservation Board, 1580 Logan Street, Suite 750, Denver CO 80203 (Phone Number 303-866-3462)

PROMISSORY NOTE

Date: April 1, 2008

Borrower: Headgate 396 Lateral Corporation

Principal Amount: \$128,991.20

Interest Rate: 2.50% per annum

Term of Repayment: 30 years

Loan Contract No.: C150234, dated February 26, 2007

Loan Payment: \$6,162.90

Payment Initiation Date: December 1, 2007

Maturity Date: December 1, 2037

1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this promissory note.
2. This Promissory Note replaces and supersedes the Promissory Note dated February 26, 2007, in the principal amount of \$232,300.
3. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable one year from Payment Initiation, and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
4. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 721, Denver, Colorado 80203.
5. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
6. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
7. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
8. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER. The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement and Deed of Trust ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the

PAID IN FULL

Appendix A to Loan Contract C150234 Amendment No. 1

CWCB, including the right to accelerate the maturity of this Note in certain events.

9. If any annual payment is not paid when due or any default under the LOAN CONTRACT or the Security Instruments securing this Note occurs, the CWCB may declare the entire outstanding principal balance of the Note, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this Promissory Note.
10. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.
11. This Note shall be governed in all respects by the laws of the State of Colorado.

(SEAL)

Attest:

By 
David McDonald, Secretary

BORROWER: Headgate 396 Lateral Corporation

By 
David Snapp, President

PAID IN FULL

AMENDMENT NO. 1 TO SECURITY AGREEMENT

DEBTOR: Headgate 396 Lateral Corporation

SECURED PARTY: COLORADO WATER CONSERVATION BOARD

DATE OF ORIGINAL SECURITY AGREEMENT: February 26, 2007

Original Promissory Note: \$232,300, dated February 26, 2007,
interest at the rate of 2.5% per annum
with annual payment for a period of 30
years or until paid in full.

ORIGINAL LOAN CONTRACT: C150234, DATED February 26, 2007

1. The Parties have amended the ORIGINAL LOAN CONTRACT and Promissory Note to decrease the loan amount from \$232,300 to \$128,991.20 and hereby amend the original Security Agreement to document the change of loan amount.
2. The Parties expressly agree that this Amendment is supplemental to the Security Agreement and all terms, conditions, and provisions thereof, unless specifically modified below, are to apply to this Amendment as though they were expressly rewritten, incorporated, and included herein.

Amended Loan Contract: C150234, dated April 1, 2008

Replacement Promissory Note: \$128,991.20, dated April 1, 2008,
interest at the rate of 2.5% per annum
with annual payments for a period of 30
years or until paid in full

Date of Amended Security Agreement: April 1, 2008

SEAL

ATTEST:

By

David McDonald, Secretary

DEBTOR: Headgate 396 Lateral Corporation

By

David Snapp, President

PAID IN FULL

Appendix B to Loan Contract C150234 Amendment No. 1

COLORADO WATER CONSERVATION BOARD

LOAN REPAYMENT SCHEDULE

Borrower	Headgate 396 Lateral Corporation	Preliminary
Loan Contract Number	C150234	
Principal	\$232,300.00	
Interest Rate	2.50%	
Frequency	Annual	
Term (In Years)	30	
First Payment Due	October 1, 2006	
Payment Amount	\$11,098.75	

Loan Payment No.	Annual Payment Due Date	Annual Payment Amount	Principal	Interest	Principal BALANCE
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					\$ 232,300.00
1	1-Oct-06	\$11,098.75	\$ 5,291.25	\$ 5,807.50	\$ 227,008.75
2	1-Oct-07	\$11,098.75	\$ 5,423.53	\$ 5,675.22	\$ 221,585.22
3	1-Oct-08	\$11,098.75	\$ 5,559.12	\$ 5,539.63	\$ 216,026.10
4	1-Oct-09	\$11,098.75	\$ 5,698.10	\$ 5,400.65	\$ 210,328.00
5	1-Oct-10	\$11,098.75	\$ 5,840.55	\$ 5,258.20	\$ 204,487.45
6	1-Oct-11	\$11,098.75	\$ 5,986.56	\$ 5,112.19	\$ 198,500.89
7	1-Oct-12	\$11,098.75	\$ 6,136.23	\$ 4,962.52	\$ 192,364.66
8	1-Oct-13	\$11,098.75	\$ 6,289.63	\$ 4,809.12	\$ 186,075.03
9	1-Oct-14	\$11,098.75	\$ 6,446.87	\$ 4,651.88	\$ 179,628.16
10	1-Oct-15	\$11,098.75	\$ 6,608.05	\$ 4,490.70	\$ 173,020.11
11	1-Oct-16	\$11,098.75	\$ 6,773.25	\$ 4,325.50	\$ 166,246.86
12	1-Oct-17	\$11,098.75	\$ 6,942.58	\$ 4,156.17	\$ 159,304.28
13	1-Oct-18	\$11,098.75	\$ 7,116.14	\$ 3,982.61	\$ 152,188.14
14	1-Oct-19	\$11,098.75	\$ 7,294.05	\$ 3,804.70	\$ 144,894.09
15	1-Oct-20	\$11,098.75	\$ 7,476.40	\$ 3,622.35	\$ 137,417.69
16	1-Oct-21	\$11,098.75	\$ 7,663.31	\$ 3,435.44	\$ 129,754.38
17	1-Oct-22	\$11,098.75	\$ 7,854.89	\$ 3,243.86	\$ 121,899.49
18	1-Oct-23	\$11,098.75	\$ 8,051.26	\$ 3,047.49	\$ 113,848.23
19	1-Oct-24	\$11,098.75	\$ 8,252.54	\$ 2,846.21	\$ 105,595.69
20	1-Oct-25	\$11,098.75	\$ 8,458.86	\$ 2,639.89	\$ 97,136.83
21	1-Oct-26	\$11,098.75	\$ 8,670.33	\$ 2,428.42	\$ 88,466.50
22	1-Oct-27	\$11,098.75	\$ 8,887.09	\$ 2,211.66	\$ 79,579.41
23	1-Oct-28	\$11,098.75	\$ 9,109.26	\$ 1,989.49	\$ 70,470.15
24	1-Oct-29	\$11,098.75	\$ 9,337.00	\$ 1,761.75	\$ 61,133.15
25	1-Oct-30	\$11,098.75	\$ 9,570.42	\$ 1,528.33	\$ 51,562.73
26	1-Oct-31	\$11,098.75	\$ 9,809.68	\$ 1,289.07	\$ 41,753.05
27	1-Oct-32	\$11,098.75	\$ 10,054.92	\$ 1,043.83	\$ 31,698.13
28	1-Oct-33	\$11,098.75	\$ 10,306.30	\$ 792.45	\$ 21,391.83
29	1-Oct-34	\$11,098.75	\$ 10,563.95	\$ 534.80	\$ 10,827.88
30	1-Oct-35	\$11,098.58	\$ 10,827.88	\$ 270.70	\$ -

TOTALS

\$332,962.33	\$232,300.00	\$100,662.33	\$0.00
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**WRITTEN CONSENT OF DIRECTORS
OF
HEADGATE 396 LATERAL CORPORATION**

The undersigned, being all of the directors of Headgate 396 Lateral Corporation (the "Corporation"), consent to and take the following actions without a meeting as provided for by the Colorado Revised Nonprofit Corporation Act.

RESOLVED: That all prior acts of the board of directors are hereby ratified.

RESOLVED: That the following individuals are elected officers of the Corporation:

President: David McDonald

Vice President: Mark Bonella

Secretary/Treasurer: Diana Davis-Reiber

RESOLVED: That David Snapp shall be the alternate director, as provided in the Bylaws.

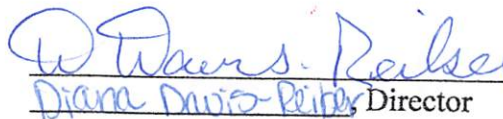
DATED the 22nd day of February, 2007.



Dave McDonald, Director



Mark Bonella, Director



Diana Davis-Reiber, Director



RESOLUTIONS OF THE SHAREHOLDERS OF THE HEADGATE 396 LATERAL CORPORATION

The Shareholders of The Headgate 396 Lateral Corporation (Company), at a Shareholders' meeting held 2/27, 2007, at Grand Jct, Colorado, adopted the following resolutions concerning a secured loan from the State of Colorado Water Conservation Board (CWCB), for the purpose of construction of the a new pipeline to increase ditch efficiency and reduce salinity impacts in the Colorado River in the amount of \$232,300 or such actual amount, more or less, as may be needed by the Company and available from the CWCB including the CWCB loan origination fee of 1% of the loan amount.

At said meeting, the Shareholders charged that these resolutions are irrevocable during the term of the loan and, pursuant to the Company's bylaws, authorized the Board of Directors and officers, RESOLVED as follows:

1. to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of \$232,300, or such actual amount, more or less, as needed to finance the project costs, including the CWCB loan origination fee of 1%, and
2. to levy and collect assessments from the shareholders in an amount sufficient to pay the annual amounts due under the Loan Contract, and to pledge assessment revenues and the Company's right to receive said revenues for repayment of the loan, and
3. to place said pledged revenues in a special account separate and apart from other COMPANY revenues, and
4. to make the annual payments required by the promissory note and to make annual deposits to a debt service reserve fund, and
5. to pledge the Company's interest in the Project, including approximately 7,000 feet of pipeline and associated access easements, as collateral for the loan and execute all documents, including a security agreement and deed of trust, necessary to convey a security interest in said property to the CWCB,
6. to execute all documents as required by the loan contract, including, but not limited to, a Security Agreement and a Promissory Note, and
7. to take such other actions and to execute such other documents as may be necessary to consummate and implement the loan.

CERTIFICATION

THE UNDERSIGNED, RESPECTIVELY, THE PRESIDENT AND SECRETARY OF THE COMPANY, HEREBY CERTIFY THAT THE FOREGOING ARE TRUE AND CORRECT COPIES OF RESOLUTIONS DULY ADOPTED AT A MEETING OF THE COMPANY'S SHAREHOLDERS DULY CALLED AND HELD AS ABOVE RECITED, PURSUANT TO THE COMPANY'S BYLAWS, AND THAT SAID RESOLUTIONS HAVE NOT BEEN AMENDED OR RESCINDED.

GIVEN UNDER OUR HANDS AND THE SEAL OF THE COMPANY THE 22 DAY OF FEBRUARY 2007.

(SEAL)

By Dave McDonald

Dave McDonald, President

ATTEST:

By Diane Davis-Reiber

Diane Davis-Reiber, Secretary - Treasurer

Appendix 3a to Loan Contract C150234

RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE HEADGATE 396 LATERAL CORPORATION

The Board of Directors of The Headgate 396 Lateral Corporation (Company), at a meeting held 2/27, 2007, at Grand Jet, Colorado, adopted the following resolutions concerning a secured loan from the State of Colorado Water Conservation Board (CWCB), for the purpose of construction of the a new pipeline to increase ditch efficiency and reduce salinity impacts in the Colorado River, in the amount of \$232,300 or such actual amount, more or less, as may be needed by the Company and available from the CWCB including the CWCB loan origination fee of 1% of the loan amount.

At said meeting, the Board charged that these resolutions are irrevocable during the term of the loan and, pursuant to the Company's bylaws, authorized the President and Corporate Secretary, RESOLVED as follows.

1. to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of \$232,300, or such actual amount, more or less, as needed to finance the project costs, including the CWCB loan origination fee of 1%, and
2. to levy and collect assessments from the shareholders in an amount sufficient to pay the annual amounts due under the Loan Contract, and to pledge assessment revenues and the Company's right to receive said revenues for repayment of the loan, and
3. to place said pledged revenues in a special account separate and apart from other COMPANY revenues, and
4. to make the annual payments required by the promissory note and to make annual deposits to a debt service reserve fund, and
5. to pledge the Company's interest in the Project, including approximately 7,000 feet of pipeline and associated access easements, as collateral for the loan and execute all documents, including a security agreement and deed of trust, necessary to convey a security interest in said property to the CWCB,
6. to execute all documents as required by the loan contract, including, but not limited to, a Security Agreement and a Promissory Note, and
7. to take such other actions and to execute such other documents as may be necessary to consummate and implement the loan.

CERTIFICATION

THE UNDERSIGNED, THE PRESIDENT AND THE CORPORATE SECRETARY HEREBY CERTIFY THAT THE FOREGOING ARE TRUE AND CORRECT COPIES OF RESOLUTIONS DULY ADOPTED AT A MEETING OF THE COMPANY'S BOARD OF DIRECTORS DULY CALLED AND HELD AS ABOVE RECITED, PURSUANT TO THE COMPANY'S BYLAWS, AND THAT SAID RESOLUTIONS HAVE NOT BEEN AMENDED OR RESCINDED.

GIVEN UNDER OUR HANDS AND THE SEAL OF THE COMPANY THE 22 DAY OF FEBRUARY 2007.

(SEAL)

By

Dave McDonald
Dave McDonald, President

ATTEST:

By

Dawn Davis-Reiber
Dawn Davis-Reiber, Secretary - Treasurer

Appendix 3b to Loan Contract C150234

SECURITY AGREEMENT

(PLEDGE OF REVENUES)

DATE: February 26, 2007

DEBTOR: The Headgate 396 Lateral Corporation

SECURED PARTY: COLORADO WATER CONSERVATION BOARD

PROMISSORY NOTE: \$232,300, DATED FEBRUARY 26, 2007

TERMS OF REPAYMENT: 2.50% PER ANNUM FOR 30 YEARS

LOAN CONTRACT: C150234, DATED February 26, 2007

COLLATERAL: All revenues derived from assessment and all of DEBTOR's right to receive said assessment revenues to repay the loan as described in Pledge of Property provisions of the LOAN CONTRACT, DEBTOR'S Funding Agreement entered into on February 2, 2007 and incorporated herein by reference, and Resolutions adopted on 2/27, 2007 by the DEBTOR'S Members and Board of Directors, attached as Appendix 3.

To secure payment of the loan evidenced by the PROMISSORY NOTE payable in accordance with the TERMS OF REPAYMENT, or until all principal, interest, and late charges, if any, are paid in full, the DEBTOR grants to SECURED PARTY a security interest in the above described COLLATERAL.

DEBTOR EXPRESSLY WARRANTS AND COVENANTS:

1. That except for the security interest granted hereby and any other security interests described in Section 5 of the Loan Contract Project Summary, DEBTOR is the owner of the COLLATERAL free from any adverse lien, security interest or encumbrances; and that DEBTOR will defend the COLLATERAL against all claims and demands of all persons at any time claiming the same or any interest therein.
2. That the execution and delivery of this agreement by DEBTOR will not violate any law or agreement governing DEBTOR or to which DEBTOR is a party.
3. To not permit or allow any adverse lien, security interest or encumbrance whatsoever upon the COLLATERAL and not to permit the same to be attached or replevined.
4. That by its acceptance of the loan money pursuant to the terms of the CONTRACT and by its representations herein, DEBTOR shall be estopped from asserting for any reason that it is not authorized to grant a security interest in the COLLATERAL pursuant to the terms of this agreement.
5. To pay all taxes and assessments of every nature which may be levied or assessed against the COLLATERAL.
6. That the DEBTOR's articles of incorporation and by-laws do not prohibit any term or condition of this agreement.

UNTIL DEFAULT DEBTOR may have possession of the COLLATERAL, provided that DEBTOR keeps the COLLATERAL in an account separate from other revenues of DEBTOR and does not use the COLLATERAL for any purpose not permitted by the CONTRACT. Upon default,

Appendix 4 to Loan Contract C150234

SECURED PARTY shall have the immediate right to the possession of the COLLATERAL.

DEBTOR SHALL BE IN DEFAULT under this agreement upon any of the following events or conditions:

- a. default in the payment or performance of any obligation contained herein or in the Promissory Note or Loan Contract;
- b. dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency law of, by or against DEBTOR; or
- c. the making or furnishing of any warranty, representation or statement to SECURED PARTY by or on behalf of DEBTOR which proves to have been false in any material respect when made or furnished.

UPON SUCH DEFAULT and at any time thereafter, SECURED PARTY shall have the remedies of a secured party under Article 9 of the Colorado Uniform Commercial Code. SECURED PARTY may require DEBTOR to deliver or make the COLLATERAL available to SECURED PARTY at a place to be designated by SECURED PARTY, which is reasonably convenient to both parties. Expenses of retaking, holding, preparing for sale, selling or the like shall include SECURED PARTY'S reasonable attorney's fees and legal expenses.

The SECURED PARTY shall give the DEBTOR written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the DEBTOR shall be considered in default for purposes of this Security Agreement. No default shall be waived by SECURED PARTY except in writing, and no waiver by SECURED PARTY of any default shall operate as a waiver of any other default or of the same default on a future occasion. The taking of this security agreement shall not waive or impair any other security SECURED PARTY may have or hereafter acquire for the payment of the above indebtedness, nor shall the taking of any such additional security waive or impair this security agreement; but SECURED PARTY shall retain its rights of set-off against DEBTOR. In the event court action is deemed necessary to enforce the terms and conditions set forth herein, said action shall only be brought in the District Court for the City and County of Denver, State of Colorado, and DEBTOR consents to venue and personal jurisdiction in said Court.

All rights of SECURED PARTY hereunder shall inure to the benefit of its successors and assigns; and all promises and duties of DEBTOR shall bind its successors or assigns.



ATTEST:

By

Diana Dass-Reiber
Diana Dass-Reiber, Secretary - Treasurer

DEBTOR: The Headgate 396 Lateral
Corporation, a Colorado nonprofit
corporation

By

Dave McDonald
Dave McDonald, President

BORROWER: HEADGATE 396 LATERAL
CORPORATION
Contract No. C150234
Original Loan Amount \$232,300
Adjustment (Decrease): \$103,308.80
Adjusted Loan Amount \$128,991.20

Agency Name: Water Conservation Board
Agency Number PDA
Routing Number: 08 PDA 00113

LOAN CONTRACT AMENDMENT No. 1

(STANDARD CONTRACT – WAIVER #160 – APPROVED NOVEMBER 10, 2003)

This Amendment, made this April 1, 2008, by and between the State of Colorado for the use and benefit of the Department of Natural Resources, Colorado Water Conservation Board ("CWCB"), and the Headgate 396 Lateral Corporation, P.O. Box 2991, Grand Junction, CO 81501, a Colorado nonprofit corporation ("BORROWER" or "CONTRACTOR").

FACTUAL RECITALS

- A. Authority exists in the law, and funds have been budgeted, appropriated, and otherwise made available for payment in Contract Encumbrance Number C150234.
- B. Required approval, clearance, and coordination have been accomplished from and with appropriate agencies.
- C. The CWCB and the BORROWER entered into Contract Encumbrance Number C150234, dated February 26, 2007 ("ORIGINAL CONTRACT"), incorporated herein by reference, wherein the CWCB agreed to loan money in the total amount up to \$232,300, and the BORROWER agreed to repay the loan in accordance with the terms of the ORIGINAL CONTRACT.
- D. The project financed with the loan proceeds was substantially complete as of December 1, 2007, and of the \$232,300 loan amount available, the BORROWER used only \$228,998.83.
- E. On December 1, 2007, the BORROWER made a payment of \$100,007.63. Said payment was applied to principal reduction, leaving a final loan amount of \$128,991.20.
- F. The parties agree to amend the contract to reduce the final loan amount to \$128,991.20.

NOW THEREFORE, it is hereby agreed that

- 1. Consideration for this Amendment to the ORIGINAL CONTRACT consists of the payments that shall be made pursuant to this Amendment and ORIGINAL CONTRACT and the promises and agreements herein set forth.
- 2. It is expressly agreed by the parties that this Amendment is supplemental to the ORIGINAL CONTRACT, and all terms, conditions, and provisions thereof, unless specifically modified herein, are to apply to this Amendment as though they were expressly rewritten, incorporated, and included herein.

Loan Contract C150234 Amendment No. 1

3. The BORROWER agrees that it shall execute the following document, all of which shall set forth the revised loan amount of \$128,991.20:
 - a. Promissory Note, attached as Appendix A and incorporated herein, which shall replace and supersede the Promissory Note in the amount of \$232,300 dated February 26, 2007, attached to the ORIGINAL CONTRACT as Appendix 2.
 - b. Amended Security Agreement, attached hereto as Appendix B and incorporated herein, which shall supplement and operate in conjunction with the Security Agreement dated February 26, 2007, attached to the ORIGINAL CONTRACT as Appendix 4.
 - c. Amended Deed of Trust, attached hereto as Appendix C and incorporated herein, which shall supplement and operate in conjunction with the Deed of Trust dated February 26, 2007, attached to the ORIGINAL CONTRACT as Appendix 5.
4. Except for the SPECIAL PROVISIONS, in the event of any conflict, inconsistency, variance, or contradiction between the provisions of this Amendment and any of the provisions of the ORIGINAL CONTRACT, the provisions of this Amendment shall in all respects supersede, govern, and control. The SPECIAL PROVISIONS shall always be controlling over other provisions in the contract or amendments. The representations in the SPECIAL PROVISIONS concerning the absence of bribery or corrupt influences and personal interest of STATE employees are presently reaffirmed.

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PAID IN FULL

SPECIAL PROVISIONS

The Special Provisions apply to all contracts except where noted in *italics*.

1. **CONTROLLER'S APPROVAL. CRS 24-30-202 (1).** This contract shall not be deemed valid until it has been approved by the Colorado State Controller or designee.

2. **FUND AVAILABILITY. CRS 24-30-202(5.5).** Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

3. **INDEMNIFICATION.** Contractor shall indemnify, save, and hold harmless the State, its employees and agents, against any and all claims, damages, liability and court awards including costs, expenses, and attorney fees and related costs, incurred as a result of any act or omission by Contractor, or its employees, agents, subcontractors, or assignees pursuant to the terms of this contract.

[Applicable Only to Intergovernmental Contracts] No term or condition of this contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions, of the Colorado Governmental Immunity Act, CRS 24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. 2671 et seq., as applicable, as now or hereafter amended.

4. **INDEPENDENT CONTRACTOR. 4 CCR 801-2.** Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither contractor nor any agent or employee of contractor shall be or shall be deemed to be an agent or employee of the state. Contractor shall pay when due all required employment taxes and income taxes and local head taxes on any monies paid by the state pursuant to this contract. Contractor acknowledges that contractor and its employees are not entitled to unemployment insurance benefits unless contractor or a third party provides such coverage and that the state does not pay for or otherwise provide such coverage. Contractor shall have no authorization, express or implied, to bind the state to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall provide and keep in force workers' compensation (and provide proof of such insurance when requested by the state) and unemployment compensation insurance in the amounts required by law and shall be solely responsible for its acts and those of its employees and agents.

5. **NON-DISCRIMINATION.** Contractor agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

6. **CHOICE OF LAW.** The laws of the State of Colorado, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this contract. Any provision of this contract, whether or not incorporated herein by reference, which provides for arbitration by any extra-judicial body or person or which is otherwise in conflict with said laws, rules, and regulations shall be considered null and void. Nothing contained in any provision incorporated herein by reference which purports to negate this or any other special provision in whole or in part shall be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision will not invalidate the remainder of this contract, to the extent that this contract is capable of execution. At all times during the performance of this contract, Contractor

Loan Contract C150234 Amendment No. 1

shall strictly adhere to all applicable federal and State laws, rules, and regulations that have been or may hereafter be established.

7. **[Not Applicable to Intergovernmental Contracts] VENDOR OFFSET. CRS 24-30-202 (1) and 24-30-202.4.** The State Controller may withhold payment of certain debts owed to State agencies under the vendor offset intercept system for: (a) unpaid child support debt or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in Article 21, Title 39, CRS; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts owing to the State or its agencies, as a result of final agency determination or reduced to judgment, as certified by the State Controller.

8. **SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00.** No State or other public funds payable under this contract shall be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies that, for the term of this contract and any extensions, Contractor has in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this paragraph, the State may exercise any remedy available at law or equity or under this contract, including, without limitation, immediate termination of this contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

9. **EMPLOYEE FINANCIAL INTEREST. CRS 24-18-201 and 24-50-507.** The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this contract.

10. **[Not Applicable to Intergovernmental Contracts]. ILLEGAL ALIENS – PUBLIC CONTRACTS FOR SERVICES AND RESTRICTIONS ON PUBLIC BENEFITS. CRS 8-17.5-101 and 24-76.5-101.** Contractor certifies that it shall comply with the provisions of CRS 8-17.5-101 et seq. Contractor shall not knowingly employ or contract with an illegal alien to perform work under this contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this contract. Contractor represents, warrants, and agrees that it (i) has verified that it does not employ any illegal aliens, through participation in the Basic Pilot Employment Verification Program administered by the Social Security Administration and Department of Homeland Security, and (ii) otherwise shall comply with the requirements of CRS 8-17.5-102(2)(b). Contractor shall comply with all reasonable requests made in the course of an investigation under CRS 8-17.5-102 by the Colorado Department of Labor and Employment. Failure to comply with any requirement of this provision or CRS 8-17.5-101 et seq., shall be cause for termination for breach and Contractor shall be liable for actual and consequential damages.

Contractor, if a natural person eighteen (18) years of age or older, hereby swears or affirms under penalty of perjury that he or she (i) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (ii) shall comply with the provisions of CRS 24-76.5-101 et seq., and (iii) shall produce one form of identification required by CRS 24-76.5-103 prior to the effective date of this contract.

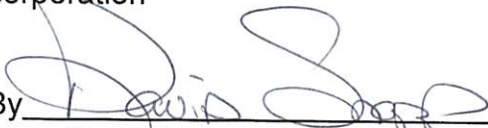
Revised October 25, 2006

Effective Date of Special Provisions: August 7, 2006


Loan Contract C150234 Amendment No. 1

THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT

BORROWER: Headgate 396 Lateral Corporation, a Colorado nonprofit corporation

By 
David Snapp, President

State of Colorado
Bill Ritter, Jr., Governor

By 
For the Executive Director
Department of Natural Resources
Colorado Water Conservation Board
Jennifer L. Gimbel, Director

(SEAL)

Attest

By 
David McDonald, Secretary


Pre-Approved Form

By 
CWCB Contract Manager

ALL CONTRACTS MUST BE APPROVED BY THE STATE CONTROLLER

CRS 24-30-202 requires that the State Controller approve all state contracts. This contract is not valid until the State Controller, or such assistant as he may delegate, has signed it. The contractor is not authorized to begin performance until the contract is signed and dated below. If performance begins prior to the date below, the State of Colorado may not be obligated to pay for the goods and/or services provided.

David J. McDermott, CPA, State Controller

By 

Effective Date 6-17-08

PAID IN FULL

Loan Contract C150234 Amendment No. 1

PROMISSORY NOTE

Date: April 1, 2008

Borrower: Headgate 396 Lateral Corporation

Principal Amount: \$128,991.20

Interest Rate: 2.50% per annum

Term of Repayment: 30 years

Loan Contract No.: C150234, dated February 26, 2007

Loan Payment: \$6,162.90

Payment Initiation Date: December 1, 2007

Maturity Date: December 1, 2037

1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this promissory note.
 2. This Promissory Note replaces and supersedes the Promissory Note dated February 26, 2007, in the principal amount of \$232,300.
 3. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable one year from Payment Initiation, and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
 4. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 721, Denver, Colorado 80203.
 5. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
 6. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
 7. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
 8. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER. The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement and Deed of Trust ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the
- Appendix A to Loan Contract C150234 Amendment No. 1**

CWCB, including the right to accelerate the maturity of this Note in certain events.

9. If any annual payment is not paid when due or any default under the LOAN CONTRACT or the Security Instruments securing this Note occurs, the CWCB may declare the entire outstanding principal balance of the Note, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this Promissory Note.
10. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.
11. This Note shall be governed in all respects by the laws of the State of Colorado.

(SEAL)

Attest:

By David McDonald
David McDonald, Secretary

BORROWER: Headgate 396 Lateral Corporation

By David Snapp
David Snapp, President

PAID IN FULL

AMENDMENT NO. 1 TO SECURITY AGREEMENT

DEBTOR: Headgate 396 Lateral Corporation

SECURED PARTY: COLORADO WATER CONSERVATION BOARD

DATE OF ORIGINAL SECURITY AGREEMENT: February 26, 2007

Original Promissory Note: \$232,300, dated February 26, 2007,
interest at the rate of 2.5% per annum
with annual payment for a period of 30
years or until paid in full.

ORIGINAL LOAN CONTRACT: C150234, DATED February 26, 2007

1. The Parties have amended the ORIGINAL LOAN CONTRACT and Promissory Note to decrease the loan amount from \$232,300 to \$128,991.20 and hereby amend the original Security Agreement to document the change of loan amount.
2. The Parties expressly agree that this Amendment is supplemental to the Security Agreement and all terms, conditions, and provisions thereof, unless specifically modified below, are to apply to this Amendment as though they were expressly rewritten, incorporated, and included herein.

Amended Loan Contract: C150234, dated April 1, 2008

Replacement Promissory Note: \$128,991.20, dated April 1, 2008,
interest at the rate of 2.5% per annum
with annual payments for a period of 30
years or until paid in full

Date of Amended Security Agreement: April 1, 2008

PAID IN FULL

SEAL

ATTEST:

By

David McDonald, Secretary

DEBTOR: Headgate 396 Lateral Corporation

By

David Snapp, President

Amendment No. 1 to Deed of Trust

Date: April 1, 2008
Grantor (Borrower): Headgate 396 Lateral Corporation
Beneficiary (Lender): Colorado Water Conservation Board
Date of Deed of Trust: February 26, 2007
Recording Date of Deed of Trust: April 17, 2007
County of Recording ("County"): Mesa
Deed of Trust Recording Information: 2375418, BK 4402, PG 839 (3 pages)
Loan Contract: C150234, dated February 26, 2007,
amended April 1, 2008
Promissory Note: \$128,991.20, 2.5%, 30 years, dated
April 1, 2008

This Amendment to the Deed of Trust is between the Grantor and the Public Trustee of the County, State of Colorado.

The Original Deed of Trust was recorded to secure repayment of the indebtedness evidenced by Loan Contract and Promissory Note between the Grantor and the Beneficiary.

Based upon a principal payment made by Grantor from funds delivered from the United States Department of Agriculture, the principal amount of the loan has been reduced.

Grantor and Beneficiary have agreed to amend the Original Deed of Trust to \$43,322.34 to reflect the revised principal and annual loan payment amount.

NOW THEREFORE, the CWCB and Grantor agree that:

1. The second full paragraph of the Original Deed of Trust is hereby amended to read as follows:

The Grantor has executed a Promissory Note dated April 1, 2008, to secure the repayment of the indebtedness evidenced by Contract No. C150234 dated August 8, 2005, as amended on April 1, 2008, for the total principal sum of \$128,991.20, to be repaid to the State of Colorado for the use and benefit of the Department of Natural Resources, Colorado Water Conservation Board ("CWCB") the beneficiary herein, whose address is 1313 Sherman Street, Room 721, Denver, CO 80203, payable in 30 annual installments, in accordance with said Promissory Note, or until the loan is paid in full.

2. In the event of any conflict, inconsistency, variance, or contradiction between the provisions of this amendment and any of the provisions of the original deed of trust, the provisions of this amendment shall in all respects supersede, govern, and control.


Appendix C to Loan Contract C150234 Amendment No. 1

3. Any provisions of the original deed of trust not expressly modified herein remain in full force and effect.


Executed on the date first written above.

GRANTOR: Headgate 396 Lateral Corporation

(SEAL)

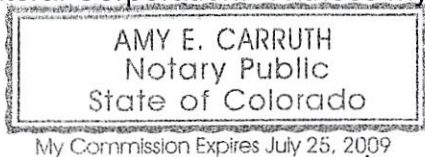
By 
David Snapp, President

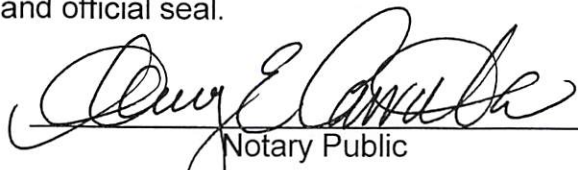
ATTEST:

By 
David McDonald, Secretary

State of Colorado)
County of Mesa) ss.

The foregoing instrument was acknowledged before me on April 30, 2008, by David Snapp as President and David McDonald as Secretary of the Headgate 396 Lateral Corporation. Witness my hand and official seal.




Notary Public

My commission expires 07/25/2009

Return recorded document to: CWCB Finance Section, Attn: Contract Manager, Colorado Water Conservation Board, 1580 Logan Street, Suite 750, Denver CO 80203 (Phone Number 303-866-3462)

PAID IN FULL

BORROWER: THE HEADGATE 396 LATERAL
CORPORATION
Contract No. C150234
Project Amount \$230,000
Loan Service Fee \$2,300
Loan Amount \$232,300

Agency Name: Water Conservation Board
Agency Number PDA
Routing Number 07 PDA 00072

LOAN CONTRACT

(STANDARD CONTRACT – WAIVER #160 – APPROVED NOVEMBER 10, 2003)

THIS CONTRACT, made this February 26, 2007, is by and between the State of Colorado for the use and benefit of The Department of Natural Resources, Colorado Water Conservation Board ("CWCB" or "STATE"), and The Headgate 396 Lateral Corporation, 2125 I 1/2 Road, Grand Junction, CO 81505, a Colorado nonprofit corporation, ("Borrower").

FACTUAL RECITALS

1. Authority exists in the law, and funds have been budgeted, appropriated and otherwise made available and a sufficient unencumbered balance thereof remains available for encumbering and subsequent payment of this contract under: Contract Encumbrance No. C150234, Fund Number 424, Appropriation Code MS7, Organization YYYY, GBL H234, Program WTRC, Object Code 5882, Reporting Category 0234.
2. Required approval, clearance, and coordination have been accomplished from and with appropriate agencies.
3. The **PROJECT Summary**, attached as **Appendix 1** and incorporated herein, contains BORROWER Information (Section 1), the PROJECT Description (Section 2), CWCB's authority for making this loan (Section 3), and CWCB Approval and Legislative Authorization which identifies the amount of the loan and the terms of repayment (Section 4).
4. The CWCB now desires, by this contract, to loan money to the BORROWER for this PROJECT upon mutually agreeable terms and conditions.

THEREFORE, in consideration of the mutual and dependent covenants contained herein, the parties agree as follows:

A. LOAN PROVISIONS

1. **Loan Service Fee.** The amount of the loan (LOAN AMOUNT) shall include (1) the amount of the funds loaned by the CWCB to the BORROWER for the PROJECT and (2) a service fee of one percent (1%) of the PROJECT amount. In the event that the BORROWER does not use the LOAN AMOUNT authorized, the parties shall amend this contract to revise the LOAN AMOUNT including adjustment of the service fee to reflect 1% of the actual LOAN AMOUNT disbursed to the BORROWER.
2. **Contract Amendment Service Fees.** Under certain circumstances, the BORROWER shall be assessed a fee for amending the contract.

PAID IN FULL

Loan Contract C150234

- a. A service fee shall be imposed on the BORROWER for amendments processed for the benefit of the BORROWER and necessary for the BORROWER's course of business but not necessary for the CWCB, including, but not limited to, a change in borrower name (novation), assignment of contract, substitution of collateral, loan payment deferments in excess of 3 per loan, and loan consolidation. Amendments in the course of CWCB business, including, but not limited to, loan payment deferments (up to 3 per loan), changes in terms of loan repayment and amendments to adjust the interest rate pursuant to Paragraph A.13 herein, will be processed at no additional charge to the borrower.
 - b. The amount charged shall be in accordance with the fee rate structure set forth in the CWCB Loan Service Charge Policy in effect at the time the BORROWER shall request an amendment. The current fee for an amendment is \$1,000.
 - c. The BORROWER shall remit the service fee to the CWCB prior to initiation of the amendment. Any service fee remitted to the CWCB cannot be refunded
3. **Promissory Note Provisions.** The CWCB agrees to loan to the BORROWER an amount not to exceed the LOAN AMOUNT and the BORROWER agrees to repay the loan in accordance with the terms as set forth in the Promissory Note, attached hereto as **Appendix 2** and incorporated herein. The Promissory Note shall identify the LOAN AMOUNT. If the amount of loan funds disbursed by the CWCB to the BORROWER differs from the LOAN AMOUNT, the parties agree to amend this contract, including its appendices where necessary, to revise the LOAN AMOUNT.
4. **Interest Prior to PROJECT Completion.** As the loan funds are disbursed by the CWCB to the BORROWER, interest shall accrue at the rate set by the CWCB for this loan. The CWCB shall calculate the amount of the interest that accrued prior to PROJECT's substantial completion (as determined by the CWCB) and notify BORROWER of such amount. The BORROWER shall repay that amount to the CWCB either within ten (10) days from the date of notification from the CWCB, or, at the CWCB's discretion, said interest shall be deducted from the final disbursement of loan funds that the CWCB makes to the BORROWER.
5. **Return of Unused Loan Funds.** Any loan funds disbursed but not expended for the PROJECT in accordance with the terms of this contract shall be remitted to the CWCB within 30 calendar days from notification from the CWCB of either (1) completion of the PROJECT or (2) determination by the CWCB that the PROJECT will not be completed.
6. **BORROWER'S Authority To Contract.** The BORROWER warrants that it has full power and authority to enter into this contract. The execution and delivery of this contract and the performance and observation of its terms, conditions and obligations have been duly authorized by all necessary actions of the BORROWER. The BORROWER's authorizing resolution(s) are attached as **Appendix 3** and incorporated herein.
7. **Attorney's Opinion Letter.** Prior to the execution of this contract by the CWCB, the BORROWER shall submit to the CWCB a letter from its attorney stating that it is the attorney's opinion that

- a. the contract has been duly executed by officers of the BORROWER who are duly elected or appointed and are authorized to execute the contract and to bind the BORROWER;
 - b. the resolutions of the BORROWER authorizing the execution and delivery of the contract were duly adopted by the BORROWER'S board of directors and/or stockholders
 - c. there are no provisions in the BORROWER'S articles of incorporation or bylaws or any state or local law that prevent this contract from binding the BORROWER; and
 - d. the contract will be valid and binding against the BORROWER if entered into by the CWCB.
8. **Pledge Of Property.** The BORROWER irrevocably pledges to the CWCB for purposes of repayment of this loan: (1) revenues from assessments levied for that purpose as authorized by the BORROWER'S resolution(s) and (2) all of the BORROWER'S rights to receive said assessment revenues, hereinafter collectively referred to as the "Pledged Property."
- a. **Segregation of Pledged Revenues.** The BORROWER shall set aside and keep the pledged revenues in an account separate from other BORROWER revenues, and warrants that these revenues will not be used for any other purpose.
 - b. **Establish Security Interest.** The BORROWER has duly executed a Security Agreement, attached hereto as **Appendix 4** and incorporated herein, to provide a security interest to the CWCB in the Pledged Property. The CWCB shall have priority over all other competing claims for said Pledged Property, except for the liens of the BORROWER'S existing loans as listed in Section 5 (Schedule of Existing Debt) of the **Project Summary**, which sets forth the position of the lien created by this contract in relation to any existing lien(s).
 - c. **Revenue Assessments.** Pursuant to its statutory authority, articles of incorporation and bylaws, the BORROWER shall take all necessary actions consistent therewith during the term of this contract to levy assessments sufficient to pay this loan as required by the terms of this contract and the Promissory Note, to cover all expenditures for operation and maintenance and emergency repair services, and to maintain adequate debt service reserves. In the event the assessments levied by the BORROWER become insufficient to assure such repayment to the CWCB, the BORROWER shall immediately take all necessary action consistent with its statutory authority, its articles of incorporation and bylaws including, but not limited to, levying additional assessments to raise sufficient revenue to assure repayment of this loan.
 - d. **Debt Service Reserve Account.** To establish and maintain the debt service reserve account equal to two annual payments, the BORROWER shall deposit an amount equal to one annual payment into its debt service reserve fund on or before the date of the first disbursement of loan funds to the BORROWER pursuant to the terms of this contract and one-third of an annual payment on the due date of its first annual loan payment and annually thereafter for the first three years of repayment of this loan. In the event that the BORROWER applies funds from this account to

repayment of the loan, the BORROWER shall replenish the account within ten (10) months of withdrawal of any of the funds.

9. **Collateral.** The collateral for this loan is described in Section 6 (Collateral) of the **Project Summary**, and secured by the instrument(s) attached hereto as **Appendix 5** and incorporated herein.
10. **Collateral During Loan Repayment.** The BORROWER shall not sell, convey, assign, grant, transfer, mortgage, pledge, encumber, or otherwise dispose of the Collateral or the Pledged Property so long as any of the principal, accrued interest, and late charges, if any, on this loan remain unpaid, without the prior written concurrence of the CWCB. In the event of any such sale, transfer or encumbrance without the CWCB's written concurrence, the CWCB may at any time thereafter declare all outstanding principal, interest, and late charges, if any, on this loan immediately due and payable.
11. **Release After Loan Is Repaid.** Upon complete repayment to the CWCB of the entire principal, all accrued interest, and late charges, if any, as specified in the Promissory Note, the CWCB agrees to release and terminate any and all of the CWCB's right, title, and interest in and to the Collateral and the Pledged Property.
12. **Warranties.**
 - a. The BORROWER warrants that, by acceptance of the loan under this contract and by its representations herein, the BORROWER shall be estopped from asserting for any reason that it is not authorized or obligated to repay the loan to the CWCB as required by this contract.
 - b. The BORROWER warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the BORROWER, to solicit or secure this contract and has not paid or agreed to pay any person, company, corporation, individual, or firm, other than a bona fide employee, any fee, commission, percentage, gift, or other consideration contingent upon or resulting from the award or the making of this contract.
 - c. The BORROWER warrants that the Pledged Property and Collateral for this loan are not encumbered by any other deeds of trust or liens of any party other than the CWCB or in any other manner, except for any existing lien(s) identified in Section 5 (Schedule of Existing Debt) of the **Project Summary**, which sets forth the position of the lien created by this contract in relation to any existing lien(s). Documentation establishing the relative priorities of said liens, if necessary, is attached to the **Project Summary** and incorporated herein.
13. **Change of Ownership of Water Shares During Term of Contract.** If the interest rate for this loan is based on the CWCB's agricultural or blended agricultural and municipal and/or commercial and/or industrial rates, the BORROWER agrees to notify the CWCB of any change of the ownership of the water rights represented by its shares from irrigation to municipal or commercial or industrial use. The interest rate shall be revised when said change in ownership would increase the original interest

rate by 0.5% or more. The parties shall amend this contract, including a revised promissory note, to effect said change in interest rate.

14. **Remedies For Default.** Upon default in the payments to be made by the BORROWER under this contract, or default in the performance of any covenant or agreement contained herein, the CWCB, at its option, may:

- a. suspend this contract and withhold further loan disbursements pending corrective action by the BORROWER, and if the BORROWER does not cure the default as provided for below, permanently cease loan disbursements and deem the PROJECT substantially complete;
- b. declare the entire principal amount, accrued interest, and late charges, if any, then outstanding immediately due and payable;
- c. exercise its rights under any appendices to this contract, including, but not limited to, the Promissory Note, Security Agreement, and/or any instrument securing collateral; and/or
- d. take any other appropriate action.

The CWCB shall provide written notice to the BORROWER of any such default and shall give the BORROWER an opportunity to cure within thirty (30) days of receipt of such notice. All remedies described herein may be simultaneously or selectively and successively enforced. The CWCB may enforce the provisions of this contract at its option without regard to prior waivers of previous defaults by the BORROWER, through judicial proceedings to require specific performance of this contract, or by such other proceedings in law or equity as may be deemed necessary by the CWCB to ensure compliance with provisions of this contract and the laws and regulations under which this contract is executed. The CWCB's exercise of any or all of the remedies described herein shall not relieve the BORROWER of any of its duties and obligations under this contract.

15. **Operation of PROJECT.** The BORROWER shall, without expense or legal liability to the CWCB, manage, operate, and maintain the PROJECT continuously in an efficient and economical manner.

16. **BORROWER'S Liability Insurance.**

- a. Upon execution of this contract and continuing until complete repayment of the loan is made to the CWCB, the BORROWER shall maintain commercial general liability insurance, with a company that is satisfactory to the CWCB, with minimum limits of \$1,000,000 combined single limit for each occurrence and \$2,000,000 general aggregate, including products/completed operations and personal injury.
- b. Prior to the disbursement of any loan funds, the BORROWER shall provide the CWCB with an Acord Form 25 evidencing said insurance and shall provide the CWCB with documentation of renewals of said insurance.

17. **Additional Contract Requirements.** Any additional contract requirements are set

Loan Contract C150234

forth in Additional Contract Requirement (Section 7) of the **Project Summary**.

B. PROJECT PROVISIONS

1. **Construction Fund Program Procedures.** During the completion of the PROJECT, the BORROWER shall adhere to the CWCB Construction Fund Program Procedures (Section 8), of the **Project Summary**.
2. **Eligible Expenses.** The PROJECT expenses for which the BORROWER is eligible for loan disbursements are listed in Eligible Expenses (Section 9) of the **Project Summary**.
3. **Loan Disbursements.** The CWCB shall disburse loan funds in accordance with the Disbursement Schedule (Section 10) of the **Project Summary**.
4. **Time for Performance.** The BORROWER recognizes that time is of the essence in the performance of all of its obligations under this contract. Therefore, the BORROWER shall complete the PROJECT within the time specified in Time for Performance (Section 11) of the **Project Summary**.
5. **Indemnification By The Construction Firm.** The BORROWER shall require all Construction Firms and their subcontractors to indemnify the STATE and the BORROWER against all liability and loss, and against all claims and actions based upon or arising out of damage or injury, including death, to persons or property, caused by any acts or omissions of those parties or sustained in connection with the performance of any contract related to the PROJECT or by conditions created thereby, or based upon any violation of any statute, ordinance, or regulation, and the defense of any such claims or actions.
6. **Liability Insurance During Construction.** During construction of the PROJECT, the BORROWER shall require the construction firm(s) and any subcontractors to maintain the following insurance coverage in the limits shown during the term of their contracts for the construction of the PROJECT. The BORROWER shall provide the CWCB with an Acord Form 27 evidencing said insurance prior to commencement of construction, maintained until construction is complete, and shall provide the CWCB with documentation of renewals of said insurance. No payments shall be made to the BORROWER unless all insurance certificates are current.

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 - a. Builder's risk insurance for construction in progress for all perils of loss including fire, wind, hail, and vandalism in an amount equal to the completed value of the PROJECT.
 - b. Worker's compensation and employer's liability insurance in the required statutory amounts.
 - c. Automobile liability insurance that includes coverage for all owned, non-owned and hired vehicles with minimum limits of \$1,000,000 combined single limit for bodily injury and property damage.
 - d. Commercial general liability insurance with minimum limits of \$1,000,000 combined

single limit for each occurrence and \$2,000,000 general aggregate. This insurance coverage shall include products/completed operations and bodily injury/property damage.

C. GENERAL PROVISIONS

1. **Periodic Inspections.** Throughout the term of this contract, the BORROWER shall permit a designated representative of the CWCB to make periodic inspections of the PROJECT. Such inspections shall cover the condition of the PROJECT, operating records, maintenance records, and financial records. These inspections are solely for the purpose of verifying compliance with the terms and conditions of this contract and shall not be construed nor interpreted as an approval of the actual design, construction or operation of any element of the PROJECT facilities.
2. **Applicable Laws.** The BORROWER shall strictly adhere to all applicable federal, state, and local laws and regulations that are in effect or may hereafter be established throughout the term of this contract.
3. **Designated Agent Of The CWCB.** The CWCB's employees are designated as the agents of the CWCB for the purpose of this contract.
4. **Assignment.** The BORROWER may not assign this contract except with the prior written approval of the CWCB.
5. **Contract Relationship.** The parties to this contract intend that the relationship between them under this contract is that of lender-borrower, not employer-employee. No agent, employee, or servant of the BORROWER shall be, or shall be deemed to be, an employee, agent, or servant of the CWCB. The BORROWER shall be solely and entirely responsible for its acts and the acts of its agents, employees, servants, engineering firms, construction firms, and subcontractors during the term of this contract.
6. **Integration of Terms.** This contract is intended as the complete integration of all understandings between the parties. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other amendment hereto shall have any force or effect unless embodied in a written contract executed and approved pursuant to STATE fiscal rules, unless expressly provided for herein.
7. **Controlling Terms.** In the event of conflicts or inconsistencies between the terms of this contract and conditions as set forth in any of the appendices, such conflicts or inconsistencies shall be resolved by reference to the documents in the following order of priority: (1) Colorado Special Provisions, (2) the remainder of this contract, and (3) the Appendices.
8. **Casualty and Eminent Domain.** If, at any time, during the term of this contract, (a) the BORROWER'S PROJECT facilities, including buildings or any portion thereof, are damaged or destroyed, in whole or in part, by fire or other casualty, or (b) title to or use of the

PROJECT facilities or any part thereof shall be taken under the exercise of the power of eminent domain, the BORROWER shall cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt replacement, repair and restoration of the PROJECT facilities or any portion thereof, or to repayment of this loan. Any net proceeds remaining after such work has been completed or this loan has been repaid, shall be retained by the BORROWER. If the net insurance proceeds are insufficient to pay the full cost of the replacement, repair and restoration, the BORROWER shall complete the work and pay any cost in excess of the net proceeds. In the event BORROWER chooses to repay the loan, BORROWER shall remain responsible for the full loan amount outstanding regardless of the amount of such insurance proceeds or condemnation award.

9. **Captions.** The captions and headings contained in this contract are for convenience and reference only and shall not be construed so as to define or limit the terms or provisions contracted herein.
10. **CWCB's Approval.** This contract requires review and approval of plans, specifications, and various other technical and legal documents. The CWCB's review of these documents is only for the purpose of verifying BORROWER'S compliance with this contract and shall not be construed or interpreted as a technical review or approval of the actual design or construction of the PROJECT. Notwithstanding any consents or approvals given to the BORROWER by the CWCB on any such documents, BORROWER and any of its consultants, by preparing any such documents, shall be solely responsible for the accuracy and completeness of any of said documents.
11. **Waiver.** The waiver of any breach of a term of this contract shall not be construed as a waiver of any other term, or of any subsequent breach of the same term.
12. **Addresses for mailing.** All notices, correspondence, or other documents required by this contract shall be delivered or mailed to the addresses shown in the Section 1 (BORROWER Information) of the **Project Summary**, for the BORROWER and to the address below for the CWCB:

Colorado Water Conservation Board
Attn: Construction Fund Section
1313 Sherman Street, Room 721
Denver, CO 80203

PAID IN FULL

SPECIAL PROVISIONS

The Special Provisions apply to all contracts except where noted in *italics*.

1. **CONTROLLER'S APPROVAL.** CRS 24-30-202 (1). This contract shall not be deemed valid until it has been approved by the Colorado State Controller or designee.

2. **FUND AVAILABILITY.** CRS 24-30-202(5.5). Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

3. **INDEMNIFICATION.** Contractor shall indemnify, save, and hold harmless the State, its employees and agents, against any and all claims, damages, liability and court awards including costs, expenses, and attorney fees and related costs, incurred as a result of any act or omission by Contractor, or its employees, agents, subcontractors, or assignees pursuant to the terms of this contract.

[Applicable Only to Intergovernmental Contracts] No term or condition of this contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions, of the Colorado Governmental Immunity Act, CRS 24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. 2671 et seq., as applicable, as now or hereafter amended.

4. **INDEPENDENT CONTRACTOR.** 4 CCR 801-2. Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither contractor nor any agent or employee of contractor shall be or shall be deemed to be an agent or employee of the state. Contractor shall pay when due all required employment taxes and income taxes and local head taxes on any monies paid by the state pursuant to this contract. Contractor acknowledges that contractor and its employees are not entitled to unemployment insurance benefits unless contractor or a third party provides such coverage and that the state does not pay for or otherwise provide such coverage. Contractor shall have no authorization, express or implied, to bind the state to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall provide and keep in force workers' compensation (and provide proof of such insurance when requested by the state) and unemployment compensation insurance in the amounts required by law and shall be solely responsible for its acts and those of its employees and agents.

5. **NON-DISCRIMINATION.** Contractor agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

6. **CHOICE OF LAW.** The laws of the State of Colorado, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this contract. Any provision of this contract, whether or not incorporated herein by reference, which provides for arbitration by any extra-judicial body or person or which is otherwise in conflict with said laws, rules, and regulations shall be considered null and void. Nothing contained in any provision incorporated herein by reference which purports to negate this or any other special provision in whole or in part shall be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision will not invalidate the remainder of this contract, to the extent that this contract is capable of execution. At all times during the performance of this contract, Contractor shall strictly adhere to all applicable federal and State laws, rules, and regulations that have been or may hereafter be established.

7. [Not Applicable to Intergovernmental Contracts] **VENDOR OFFSET.** CRS 24-30-202 (1) and 24-30-202.4. The State Controller may withhold payment of certain debts owed to State agencies under the vendor offset intercept system for: (a) unpaid child support debt or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in Article 21, Title 39, CRS; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts owing to the State or its agencies, as a result of final agency determination or reduced to judgment, as certified by the State Controller.

8. SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00. No State or other public funds payable under this contract shall be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies that, for the term of this contract and any extensions, Contractor has in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this paragraph, the State may exercise any remedy available at law or equity or under this contract, including, without limitation, immediate termination of this contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

9. EMPLOYEE FINANCIAL INTEREST. CRS 24-18-201 and 24-50-507. The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this contract.

10. [Not Applicable to Intergovernmental Contracts]. ILLEGAL ALIENS – PUBLIC CONTRACTS FOR SERVICES AND RESTRICTIONS ON PUBLIC BENEFITS. CRS 8-17.5-101 and 24-76.5-101. Contractor certifies that it shall comply with the provisions of CRS 8-17.5-101 et seq. Contractor shall not knowingly employ or contract with an illegal alien to perform work under this contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this contract. Contractor represents, warrants, and agrees that it (i) has verified that it does not employ any illegal aliens, through participation in the Basic Pilot Employment Verification Program administered by the Social Security Administration and Department of Homeland Security, and (ii) otherwise shall comply with the requirements of CRS 8-17.5-102(2)(b). Contractor shall comply with all reasonable requests made in the course of an investigation under CRS 8-17.5-102 by the Colorado Department of Labor and Employment. Failure to comply with any requirement of this provision or CRS 8-17.5-101 et seq., shall be cause for termination for breach and Contractor shall be liable for actual and consequential damages. Contractor, if a natural person eighteen (18) years of age or older, hereby swears or affirms under penalty of perjury that he or she (i) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (ii) shall comply with the provisions of CRS 24-76.5-101 et seq., and (iii) shall produce one form of identification required by CRS 24-76.5-103 prior to the effective date of this contract.

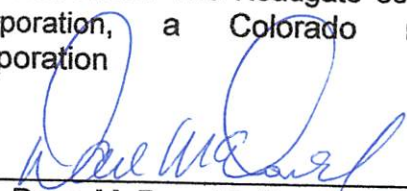
Revised October 25, 2006
2006

Effective Date of Special Provisions: August 7,

PAID IN FULL

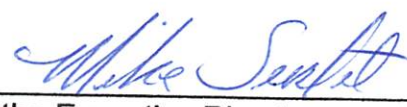
THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT

BORROWER: The Headgate 396 Lateral
Corporation, a Colorado nonprofit
corporation

By 
Dave McDonald, President

20-3508060
FEIN

State of Colorado
Bill Ritter, Jr., Governor

By 
For the Executive Director
Department of Natural Resources
Colorado Water Conservation Board
Rod Kuharich, Director

(SEAL)

Attest

By 
Diane Davis-Reitzer Secretary-Treasurer

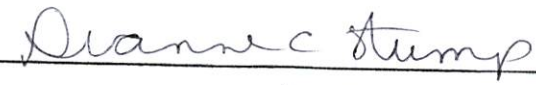
Pre-Approved Form

By 
CWCB Contract Manager

ALL CONTRACTS MUST BE APPROVED BY THE STATE CONTROLLER

CRS 24-30-202 requires that the State Controller approve all state contracts. This contract is not valid until the State Controller, or such assistant as he may delegate, has signed it. The contractor is not authorized to begin performance until the contract is signed and dated below. If performance begins prior to the date below, the State of Colorado may not be obligated to pay for the goods and/or services provided.

Leslie M. Shenefelt, State Controller

By 

Effective Date 3-8-07

Loan Contract C150234

Project Summary – The Headgate 396 Lateral Corporation – Contract No. C150234

SECTION 1 –BORROWER INFORMATION

Name: The Headgate 396 Lateral Corporation
Address: 2125 I ½ Road, Grand Junction, CO 81505
Federal Identification No.: 20-3508060
Contact: Dave McDonald
Phone Number: 970-261-5009
E-mail address: tallpines_72@bresnan.net
Type of Entity: a Colorado nonprofit corporation

Section 2 – Project Description

- A. Description of PROJECT: The BORROWER applied to the CWCB for a loan to be used for the construction of the 396 Lateral Piping Project, located in Mesa County, hereinafter referred to as the PROJECT, at an estimated total cost of \$230,000.
- B. Description of Feasibility Study: The CWCB has reviewed a feasibility study report on the PROJECT entitled "Feasibility Study of Piping Lateral 396," dated August 2006, compiled by Water Solutions of Colorado, which is incorporated herein by reference, and, based upon the feasibility report, the CWCB determined the PROJECT to be technically and financially feasible.

SECTION 3 – CWCB'S AUTHORITY

Severance Tax Trust Fund Perpetual Base Account: This loan is made pursuant to the provisions of §§ 39-29-109(1)(a)(I), 37-60-119 and 37-60-120, C.R.S., which authorize the CWCB to loan money for water projects from the CWCB Severance Tax Trust Fund Perpetual Base Account for the benefit of the people of the state, provided that the borrower assures repayment of that money.

Section 37-60-122(1)(b) C.R.S., authorizes the CWCB to make loans of up to \$5,000,000 from the CWCB's Construction Fund and the State Severance Tax Trust Fund Perpetual Base Account Fund without prior approval from the General Assembly

SECTION 4 - BOARD APPROVAL

At its November 13, 2006 meeting, the CWCB approved a loan from the Severance Tax Trust Fund to the BORROWER in an amount up to \$230,000 for PROJECT costs plus \$2,300 for the loan origination fee of 1% in accordance with CWCB Policy No. 16, at an interest rate of 2.50% per annum for a repayment term of 30 years.

PAID IN FULL

SECTION 5 – SCHEDULE OF EXISTING DEBT

No existing debt.

SECTION 6 - COLLATERAL

The collateral provided for this loan, as evidenced by the executed Deed of Trust, in

Appendix 1 to Loan Contract C150234

the form attached as **Appendix 5** and incorporated herein, shall be an undivided one hundred percent (100%) interest in any rights the Borrower holds in the Project, including approximately 7,000 feet of new pipeline and the associated access easement rights, as more particularly described in the attached Deed of Trust ("Collateral").

SECTION 7 – ADDITIONAL CONDITIONS & CONTRACT REQUIREMENTS

The CWCB approved the loan with the following conditions:

- a. The BORROWER shall provide a copy to the CWCB of the executed USDA Conservation Program Contract to verify that the USDA would provide engineering services and a grant for the final construction cost. Copy of said contract included with the above Feasibility Study referred to in Section 2 above.
- b. Security for the loan includes (1) a pledge of assessment revenues backed by an assessment covenant, (2) a debt service reserve fund equal to two annual loan payments (one payment set aside at the time of contract execution and one third of an annual payment set aside at the time the first three annual loan payments are made), and (3) BORROWER'S Funding Agreement, which Funding Agreement shall include a "step-up" provision that requires the Funding Agreement signatories to make the entire annual loan payment to the CWCB in the event any of the members fail to pay their assessed share amount pursuant to the Funding Agreement.
- c. Within ten (10) working days after receipt of the cost share portion reimbursement from the USDA, the BORROWER shall submit to the CWCB an amount equal to the reimbursement. The USDA reimbursement will be applied to the outstanding principal loan balance, and the Loan Contract shall be amended to the reduced loan amount.

SECTION 8 – CONSTRUCTION FUND PROGRAM PROCEDURES

- A. The BORROWER shall employ an engineer, registered in the state of Colorado to prepare plans and specifications for the PROJECT.
- B. The BORROWER'S and the Engineering Consultant's Agreements and the plans and specifications must be submitted to the CWCB staff for verification of compliance with the terms of this Contract when available prior to bidding. Any modifications to the plans and specifications must be approved in writing by the CWCB staff.
- C. For plans and specifications for all jurisdictional dams and reservoirs, as defined by § 37-87-105 C.R.S., the BORROWER shall provide a letter of approval from the State Engineer's Office prior to construction.
- D. CWCB staff must be present at bid opening and must approve the award of the construction contract.
- E. The BORROWER shall contract for the construction of the work with responsible and capable Construction Firms, which said Construction Firms shall be selected by the BORROWER and found acceptable by the CWCB staff.

PAID IN FULL

- F. The BORROWER must provide a copy of the executed construction contract documents consisting of the contractor's proposal, construction contract, performance bond, payment bond, notice of award, notice to proceed, sample change order, and sample field order, as well as the advertisement for bid and bid bond at bidding. After the CWCB staff verifies that these documents comply with the terms of this contract, the BORROWER may issue the notice to proceed to the Construction Firms.
- G. The BORROWER shall conduct a pre-construction conference at which time the CWCB staff shall have the opportunity to review and approve the construction schedule.
- H. If the CWCB staff determines that the PROJECT requires a resident inspector during construction, the BORROWER shall employ an inspector who has been approved by the CWCB staff.
- I. The BORROWER shall construct the PROJECT in accordance with the approved plans and specifications.
- J. Upon completion of the PROJECT construction, the BORROWER shall provide as-built drawings of the PROJECT to the CWCB staff, or, if required by § 37-87-105, C.R.S., the BORROWER shall provide the as-built drawings to the State Engineer's Office for approval and filing.
- K. Upon completion of the PROJECT construction, the BORROWER shall arrange a final inspection for the CWCB staff.
- L. The BORROWER shall pay all of the expenses related to the PROJECT when such bills are due.

SECTION 9 – ELIGIBLE EXPENSES. The following items are eligible for loan disbursements.

- A. Preparing final designs and specifications for the PROJECT.
- B. Preparing bid and construction contract documents.
- C. Preparing environmental assessment or environmental impact statements, and otherwise complying with the Federal National Environmental Policy Act.
- D. Complying with all federal, state, and local regulatory requirements, including the obtaining of all required permits.
- E. Fish and wildlife mitigation measures required by federal, state, or local laws and regulations.
- F. Actual construction as called for in the design documents and in change orders approved by the CWCB and the BORROWER.
- G. Engineering services for construction management, including design and construction management for CWCB-approved change orders.
- H. Interest during completion of the PROJECT pursuant to Paragraph A.4 of the Contract.
- I. Legal services for reviewing engineering services contracts, reviewing this Contract,

Appendix 1 to Loan Contract C150234

reviewing construction contract documents, and for complying with all federal, state, and local regulatory requirements.

10 – DISBURSEMENT SCHEDULE

For Project costs: The BORROWER shall prepare a periodic progress report which contains a statement of the PROJECT costs expended for that period and shall forward said statement to the CWCB. After receipt of the periodic progress report from the BORROWER, and review and acceptance of the items therein as eligible expenses as described below, the CWCB will pay to the BORROWER the amount set forth in the report or such portion that has been approved by the CWCB. Such payment shall be made within thirty (30) days from the CWCB's approval of each progress report.

SECTION 11 – TIME FOR PERFORMANCE

PROJECT Beginning: Upon Effective Date of this Contract (the date this contract is signed by the State Controller or his designee).

PROJECT Finish: Two (2) years from the Effective Date of this Contract

PAID IN FULL

PROMISSORY NOTE

Date: February 26, 2007
Borrower: The Headgate 396 Lateral Corporation
Principal Amount: \$232,300
Interest Rate: 2.50% per annum
Term of Repayment: 30 years
Loan Contract No.: C150234, dated February 26, 2007
Loan Payment: \$11,098.75
Payment Initiation Date*: _____
Maturity Date*: _____

* Payment Initiation Date and Maturity Date fields are filled in after the project has been substantially completed.

1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this promissory note.
2. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable one year from Payment Initiation Date (the date the CWCB determines that the project is substantially complete), and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
3. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 721, Denver, Colorado 80203.
4. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
5. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
6. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
7. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER. The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement and Deed of Trust ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the CWCB, including the right to accelerate the maturity of this Note in certain events.
8. If any annual payment is not paid when due or any default under the LOAN CONTRACT or the Security Instruments securing this Note occurs, the CWCB may declare the entire outstanding

PAID IN FULL

Appendix 2 to Loan Contract C150234

principal balance of the Note, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this Promissory Note.

9. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.

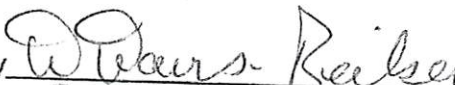
10. This Note shall be governed in all respects by the laws of the State of Colorado.

BORROWER: The Headgate 396 Lateral Corporation

(SEAL)

By 
Dave McDonald, President

Attest:

By 
Dana Davis-Reiber, Secretary - Treasurer

PAID IN FULL

RESOLUTIONS OF THE SHAREHOLDERS OF THE HEADGATE 396 LATERAL CORPORATION

The Shareholders of The Headgate 396 Lateral Corporation (Company), at a Shareholders' meeting held 2/27, 2007, at Grand Jct, Colorado, adopted the following resolutions concerning a secured loan from the State of Colorado Water Conservation Board (CWCB), for the purpose of construction of the a new pipeline to increase ditch efficiency and reduce salinity impacts in the Colorado River in the amount of \$232,300 or such actual amount, more or less, as may be needed by the Company and available from the CWCB including the CWCB loan origination fee of 1% of the loan amount.

At said meeting, the Shareholders charged that these resolutions are irrevocable during the term of the loan and, pursuant to the Company's bylaws, authorized the Board of Directors and officers, **RESOLVED** as follows:

1. to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of \$232,300, or such actual amount, more or less, as needed to finance the project costs, including the CWCB loan origination fee of 1%, and
2. to levy and collect assessments from the shareholders in an amount sufficient to pay the annual amounts due under the Loan Contract, and to pledge assessment revenues and the Company's right to receive said revenues for repayment of the loan, and
3. to place said pledged revenues in a special account separate and apart from other COMPANY revenues, and
4. to make the annual payments required by the promissory note and to make annual deposits to a debt service reserve fund, and
5. to pledge the Company's interest in the Project, including approximately 7,000 feet of pipeline and associated access easements, as collateral for the loan and execute all documents, including a security agreement and deed of trust, necessary to convey a security interest in said property to the CWCB,
6. to execute all documents as required by the loan contract, including, but not limited to, a Security Agreement and a Promissory Note, and
7. to take such other actions and to execute such other documents as may be necessary to consummate and implement the loan.

CERTIFICATION

THE UNDERSIGNED, RESPECTIVELY, THE PRESIDENT AND SECRETARY OF THE COMPANY, HEREBY CERTIFY THAT THE FOREGOING ARE TRUE AND CORRECT COPIES OF RESOLUTIONS DULY ADOPTED AT A MEETING OF THE COMPANY'S SHAREHOLDERS DULY CALLED AND HELD AS ABOVE RECITED, PURSUANT TO THE COMPANY'S BYLAWS, AND THAT SAID RESOLUTIONS HAVE NOT BEEN AMENDED OR RESCINDED. GIVEN UNDER OUR HANDS AND THE SEAL OF THE COMPANY THE 22 DAY OF FEBRUARY 2007.

(SEAL)

By

Dave McDonald
Dave McDonald, President

PAID IN FULL

ATTEST:

By

Joanna Davis-Reiber
Joanna Davis-Reiber, Secretary - Treasurer

Appendix 3a to Loan Contract C150234

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF THE HEADGATE 396 LATERAL CORPORATION**

The Board of Directors of The Headgate 396 Lateral Corporation (Company), at a meeting held 2/27, 2007, at Grand Jet, Colorado, adopted the following resolutions concerning a secured loan from the State of Colorado Water Conservation Board (CWCB), for the purpose of construction of the a new pipeline to increase ditch efficiency and reduce salinity impacts in the Colorado River, in the amount of \$232,300 or such actual amount, more or less, as may be needed by the Company and available from the CWCB including the CWCB loan origination fee of 1% of the loan amount.

At said meeting, the Board charged that these resolutions are irrevocable during the term of the loan and, pursuant to the Company's bylaws, authorized the President and Corporate Secretary, RESOLVED as follows.

1. to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of \$232,300, or such actual amount, more or less, as needed to finance the project costs, including the CWCB loan origination fee of 1%, and
2. to levy and collect assessments from the shareholders in an amount sufficient to pay the annual amounts due under the Loan Contract, and to pledge assessment revenues and the Company's right to receive said revenues for repayment of the loan, and
3. to place said pledged revenues in a special account separate and apart from other COMPANY revenues, and
4. to make the annual payments required by the promissory note and to make annual deposits to a debt service reserve fund, and
5. to pledge the Company's interest in the Project, including approximately 7,000 feet of pipeline and associated access easements, as collateral for the loan and execute all documents, including a security agreement and deed of trust, necessary to convey a security interest in said property to the CWCB,
6. to execute all documents as required by the loan contract, including, but not limited to, a Security Agreement and a Promissory Note, and
7. to take such other actions and to execute such other documents as may be necessary to consummate and implement the loan.

CERTIFICATION

THE UNDERSIGNED, THE PRESIDENT AND THE CORPORATE SECRETARY HEREBY CERTIFY THAT THE FOREGOING ARE TRUE AND CORRECT COPIES OF RESOLUTIONS DULY ADOPTED AT A MEETING OF THE COMPANY'S BOARD OF DIRECTORS DULY CALLED AND HELD AS ABOVE RECITED, PURSUANT TO THE COMPANY'S BYLAWS, AND THAT SAID RESOLUTIONS HAVE NOT BEEN AMENDED OR RESCINDED.

GIVEN UNDER OUR HANDS AND THE SEAL OF THE COMPANY THE 22 DAY OF FEBRUARY 2007.

(SEAL)

By

Dave McDonald
Dave McDonald, President

ATTEST:

By

Dan Davis-Reiber
Dan Davis-Reiber, Secretary - Treasurer

• **PAID IN FULL**

Appendix 3b to Loan Contract C150234

SECURITY AGREEMENT

(PLEDGE OF REVENUES)

DATE: February 26, 2007

DEBTOR: The Headgate 396 Lateral Corporation

SECURED PARTY: COLORADO WATER CONSERVATION BOARD

PROMISSORY NOTE: \$232,300, DATED FEBRUARY 26, 2007

TERMS OF REPAYMENT: 2.50% PER ANNUM FOR 30 YEARS

LOAN CONTRACT: C150234, DATED February 26, 2007

COLLATERAL: All revenues derived from assessment and all of DEBTOR'S right to receive said assessment revenues to repay the loan as described in Pledge of Property provisions of the LOAN CONTRACT, DEBTOR'S Funding Agreement entered into on February 2, 2007 and incorporated herein by reference, and Resolutions adopted on February 27, 2007 by the DEBTOR'S Members and Board of Directors, attached as Appendix 3.

To secure payment of the loan evidenced by the PROMISSORY NOTE payable in accordance with the TERMS OF REPAYMENT, or until all principal, interest, and late charges, if any, are paid in full, the DEBTOR grants to SECURED PARTY a security interest in the above described COLLATERAL and assigns to the Secured Party the DEBTOR'S right to enforce Paragraphs 6 and 15 of Debtor's Funding Agreement. This assignment shall be effective solely in the event of DEBTOR'S default in the payment of the loan as required by the Promissory Note.

DEBTOR EXPRESSLY WARRANTS AND COVENANTS:

1. That except for the security interest granted hereby and any other security interests described in Section 5 of the Loan Contract Project Summary, DEBTOR is the owner of the COLLATERAL free from any adverse lien, security interest or encumbrances; and that DEBTOR will defend the COLLATERAL against all claims and demands of all persons at any time claiming the same or any interest therein.
2. That the execution and delivery of this agreement by DEBTOR will not violate any law or agreement governing DEBTOR or to which DEBTOR is a party.
3. To not permit or allow any adverse lien, security interest or encumbrance whatsoever upon the COLLATERAL and not to permit the same to be attached or replevined.
4. That by its acceptance of the loan money pursuant to the terms of the CONTRACT and by its representations herein, DEBTOR shall be estopped from asserting for any reason that it is not authorized to grant a security interest in the COLLATERAL pursuant to the terms of this agreement.
5. To pay all taxes and assessments of every nature which may be levied or assessed against the COLLATERAL.
6. That the DEBTOR'S articles of incorporation and by-laws do not prohibit any term or condition of this agreement.

PAID IN FULL

UNTIL DEFAULT DEBTOR may have possession of the COLLATERAL, provided that DEBTOR keeps the COLLATERAL in an account separate from other revenues of DEBTOR and does not use the COLLATERAL for any purpose not permitted by the CONTRACT. Upon default, SECURED PARTY shall have the immediate right to the possession of the COLLATERAL.

Appendix 4 to Loan Contract C150234

SECURED PARTY shall have the immediate right to the possession of the COLLATERAL.

DEBTOR SHALL BE IN DEFAULT under this agreement upon any of the following events or conditions:

- a. default in the payment or performance of any obligation contained herein or in the Promissory Note or Loan Contract;
- b. dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency law of, by or against DEBTOR; or
- c. the making or furnishing of any warranty, representation or statement to SECURED PARTY by or on behalf of DEBTOR which proves to have been false in any material respect when made or furnished.

UPON SUCH DEFAULT and at any time thereafter, SECURED PARTY shall have the remedies of a secured party under Article 9 of the Colorado Uniform Commercial Code. SECURED PARTY may require DEBTOR to deliver or make the COLLATERAL available to SECURED PARTY at a place to be designated by SECURED PARTY, which is reasonably convenient to both parties. Expenses of retaking, holding, preparing for sale, selling or the like shall include SECURED PARTY's reasonable attorney's fees and legal expenses.

The SECURED PARTY shall give the DEBTOR written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the DEBTOR shall be considered in default for purposes of this Security Agreement. No default shall be waived by SECURED PARTY except in writing, and no waiver by SECURED PARTY of any default shall operate as a waiver of any other default or of the same default on a future occasion. The taking of this security agreement shall not waive or impair any other security SECURED PARTY may have or hereafter acquire for the payment of the above indebtedness, nor shall the taking of any such additional security waive or impair this security agreement; but SECURED PARTY shall retain its rights of set-off against DEBTOR. In the event court action is deemed necessary to enforce the terms and conditions set forth herein, said action shall only be brought in the District Court for the City and County of Denver, State of Colorado, and DEBTOR consents to venue and personal jurisdiction in said Court.

All rights of SECURED PARTY hereunder shall inure to the benefit of its successors and assigns; and all promises and duties of DEBTOR shall bind its successors or assigns.

SEAL **PAID IN FULL**

ATTEST:

By

Diana Dasso-Reiber
Diana Dasso-Reiber, Secretary - Treasurer

DEBTOR: The Headgate 396 Lateral
Corporation, a Colorado nonprofit
corporation

By

Dave McDonald
Dave McDonald, President

Appendix 4 to Loan Contract C150234

Deed of Trust

DATE: February 26, 2007
GRANTOR: THE HEADGATE 396 LATERAL CORPORATION
BENEFICIARY: COLORADO WATER CONSERVATION BOARD
COUNTY: MESA
PRINCIPAL LOAN AMOUNT: \$232,300
LOAN CONTRACT: Loan Contract No. C150234, dated February 26, 2007
TERMS OF REPAYMENT: 2.50% per annum for 30 years
COLLATERAL: An undivided 100 percent interest in any rights to the 396 Lateral that the Grantor holds, including approximately 7,000 feet of pipeline commencing at the Headgate ML-396, Mesa County, Colorado, and any easements, rights-of-way, or other property or property interests held and used in connection with the access and operation of said ditch.

This indenture is between the Grantor, and the Public Trustee of the above referenced COUNTY, State of Colorado ("PUBLIC TRUSTEE"),

FACTUAL RECITALS

1. The GRANTOR has executed a Promissory Note of even date and amount, set forth in the LOAN CONTRACT, for a loan in the PRINCIPAL LOAN AMOUNT to be repaid to the BENEFICIARY, with TERMS OF REPAYMENT and in accordance with the Promissory Note or until loan is paid in full.
2. The GRANTOR is desirous of securing payment of the PRINCIPAL LOAN AMOUNT and interest of said Promissory Note to the BENEFICIARY.

The GRANTOR, in consideration of the premises and for the purpose aforesaid, does hereby grant, bargain, sell and convey unto the said PUBLIC TRUSTEE in trust forever, the above described COLLATERAL.

To have and to hold the same, together with all appurtenances, in trust nevertheless, that in case of default in the payment of said Promissory Note, or any part thereof, or the interest thereon, or in the performance of any covenants hereinafter set forth or in said Promissory Note or LOAN CONTRACT, then upon the BENEFICIARY filing notice of election and demand for sale, said PUBLIC TRUSTEE, after advertising notice of said sale weekly for not less than four weeks in some newspaper of general circulation in said COUNTY, shall sell said COLLATERAL in the manner provided by law in effect at the time of filing said notice and demand, at public auction for cash, at any proper place designated in the notice of sale. Out of the proceeds of said sale, the PUBLIC TRUSTEE shall retain or pay first all fees, charges and costs and all moneys advanced for taxes, insurance and assessments, or on any prior encumbrance, with interest thereon and pay the principal and interest due on said Promissory Note, rendering the overplus, if any, unto the GRANTOR; and after the expiration of the time of redemption, the PUBLIC TRUSTEE shall execute and deliver to the purchaser a deed to the COLLATERAL sold. The BENEFICIARY may purchase said COLLATERAL or any part thereof at such sale.

The GRANTOR covenants that at the time of the delivery of these presents, it is well

Appendix 5 to Loan Contract C150234

seized of the COLLATERAL in fee simple, and has full power and lawful authority to grant, bargain, sell and convey the same in the manner and form as aforesaid. The GRANTOR fully waives and releases all rights and claims it may have in or to said COLLATERAL as a Homestead Exemption or other exemption, now or hereafter provided by law. The GRANTOR further covenants that the collateral is free and clear of all liens and encumbrances whatever and that the GRANTOR shall warrant and forever defend the COLLATERAL in the quiet and peaceable possession of the PUBLIC TRUSTEE, its successors and assigns, against all and every person or persons lawfully claiming or to claim the whole or any part thereof.

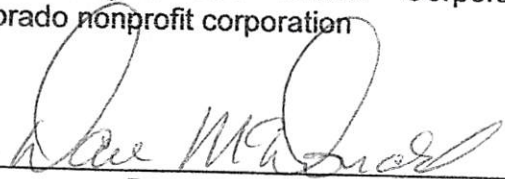
Until payment in full of the indebtedness, the GRANTOR shall timely pay all taxes and assessments levied on the COLLATERAL; any and all amounts due on account of the principal and interest or other sums on any senior encumbrances, if any; and will keep the COLLATERAL insured in accordance with the requirements of the LOAN CONTRACT. In the event of the sale or transfer of the COLLATERAL, the BENEFICIARY, at its option, may declare the entire balance of the note immediately due and payable.

In case of default in any of said payments of the principal or interest, according to the terms of said Promissory Note or LOAN CONTRACT, by the GRANTOR, its successors or assigns, then said principal sum hereby secured, and interest thereon, may at once, at the option of the BENEFICIARY, become due and payable, and the said COLLATERAL be sold in the manner and with the same effect as if said indebtedness had matured, and that if foreclosure be made by the PUBLIC TRUSTEE, an attorney's fee in a reasonable amount for services in the supervision of said foreclosure proceedings shall be allowed by the PUBLIC TRUSTEE as a part of the cost of foreclosure, and if foreclosure be made through the courts a reasonable attorney's fee shall be taxed by the court as a part of the cost of such foreclosure proceedings.


It is further understood and agreed, that if a release or a partial release of this Deed of Trust is required, the GRANTOR, its successors or assigns will pay the expense thereof; that all the covenants and agreements contained herein and in the Promissory Note and LOAN CONTRACT shall extend to and be binding upon the successors or assigns of the respective parties hereto; and that the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

Executed the day and date first written above.

The Headgate 396 Lateral Corporation, a
Colorado nonprofit corporation

By 
Dave McDonald, President



By 
Diana Davis-Reiber, Secretary - Treasurer

County of Mesa

State of Colorado

)
) SS
)

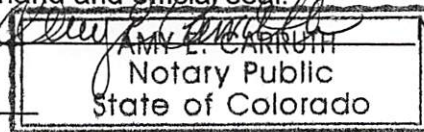
PAID IN FULL

Appendix 5 to Loan Contract C150234

Page 2 of 3

The foregoing instrument was acknowledged before me this 22 day of February 2007, by Dave McDonald and ^{Diana Davis}~~Reiber~~, as President and Secretary - Treasurer, respectively, of The Headgate 396 Lateral Corporation. Witness my hand and official seal.

My commission expires 7/25/09



Notary Public

My Commission Expires July 25, 2009

Return recorded deed of trust to: CWCB Finance Section, Attn: Contract Manager, 1580 Logan Street, Suite 750, Denver CO 80203 (Phone Number 303-866-3462)

PAID IN FULL

Appendix 5 to Loan Contract C150234



DUFFORD WALDECK
MILBURN & KROHN LLP
Attorneys at Law

William H. T. Frey
Nathan A. Keever
Richard H. Krohn
Michael A. Kuzminski*
Christopher G. McAnany*
Laird T. Milburn
John R. Pierce†
Sam D. Starritt †

•
William S. DeFord
Annie M. DePrey ~
Jenna M. Heermann

•
William G. Waldeck
Retired

•
D. J. Dufford
(1919-1998)

•
* Also Admitted in Oregon
* Also Admitted in Utah
† Also Admitted in Wyoming
~ Admitted in Utah only

February 26, 2007

Colorado Water Conservation Board
Water Supply Planning & Finance Section
1580 Logan Street, Suite 750
Denver, CO 80203

Re: Contract No. C150234 between the State of Colorado and the Headgate
396 Lateral Corporation, a Colorado nonprofit corporation

Ladies and Gentlemen:

We have acted as counsel for the Headgate 396 Lateral Corporation, a Colorado nonprofit corporation (the "Borrower"), in connection with a loan in the amount of \$232,300. Contract No. C150234 (the "Loan Contract"), between the State of Colorado through the Colorado Water Conservation Board (the "Lender") and Borrower. This opinion is rendered pursuant to Section A.7 of the Loan Contract.

We have been furnished with and have examined originals or copies, identified to our satisfaction, of the Loan Contract, and all such notices, resolutions, minutes and other records of the Borrower as we have deemed necessary to provide a basis for the opinions provided herein. In rendering such opinions, we have relied solely upon our examination of the foregoing records and documents, and we have made no independent verification of the factual matters set forth in such records and documents.

Based on the information known to us, it is our opinion that:

1. The Loan Contract has been duly executed by officers of the Borrower who are duly elected or appointed and are authorized to execute the Loan Contract and to bind the Borrower;
2. The resolutions of the Borrower authorizing the execution and delivery of the Loan Contract were duly adopted by the Borrower's board of directors and/or the members;
3. There are no provisions in the Borrower's articles of incorporation or bylaws or any state or local laws that prevent the Loan Contract from binding the Borrower; and

GRAND JUNCTION, COLORADO
744 Horizon Court
Suite 300
Grand Junction
Colorado 81506
TEL 970.241.5500
FAX 970.243.7738

MONTROSE, COLORADO
TEL 970.249.4500

MOAB, UTAH
TEL 435.259.2225

www.dwmk.com
dwmk@dwmk.com

4. The Loan Contract will be valid and binding against the Borrower if entered into by the Lender.

The opinions expressed herein are rendered as of the date hereof. We do not undertake to advise you of matters that may come to our attention subsequent to the date hereof and that may affect the opinions expressed herein, including without limitation, future changes in applicable law. Whenever a statement herein is qualified by "known to us," it is intended to indicate that, during the course of our representation of the Borrower in this transaction, no information that gives us current actual knowledge of the inaccuracy of such statement has come to our attention. This letter is our opinion as to certain legal conclusions as specifically set forth herein and is not and should not be deemed to be a representation or opinion as to any factual matters. The opinions expressed herein may be relied upon in connection with the Loan only by the Lender.

Sincerely,

DUFFORD, WALDECK, MILBURN & KROHN, L.L.P.

By:


Sam D. Starritt, Partner

PAID IN FULL

Funding Agreement

This Agreement is made this 2 day of February 2007, between The Headgate 396 Lateral Corporation, a Colorado corporation, and the undersigned members of the Corporation, (the Funding Members).

Whereas, The Bylaws of the corporation require that "The Corporation may not undertake additions and/or improvements to the Ditch without approval in advance by the Membership. The Membership shall be presented with a written resolution defining the addition and/or improvement to be voted on and also presented with a Funding Agreement signed by the Member or Members that agree to pay for the addition and/or improvement, if approved by the Membership. The Funding Agreement shall set forth details of the proposed work, the estimated cost of the work, the method for sharing the cost, including any overruns that may occur, and the proposed schedule for conduct of the work by the Corporation, and

Whereas, The Natural Resource Conservation Service of the US Department of Agriculture had included the Ditch in the EQIP Program and the members of the Corporation and NRCS have entered into a Conservation Program Application/Contract(s) (the Contract) under which the company could become eligible for funding and other assistance to upgrade the Ditch to a pipeline, and

Whereas, The undersigned Funding Members desire that the Corporation accept the NRCS proposal for the pipeline to be installed in the Ditch for delivery of irrigation water to the Members of the Corporation and receive the design assistance and \$96,019.11 in funding offered by NRCS, and

Whereas, The Colorado Water Conservation Board (the CWCB) has committed to make a loan to the Corporation to finance the Corporation's share of cost for the pipeline to be installed by NRCS, and

Whereas, The Funding Members desire that the Corporation accept the loan from the CWCB to finance the Corporation's share of the pipeline cost.

Now, therefore, in consideration of the mutual covenants contained herein, the Corporation and the below signed Funding Members agree as follows:

1. The Additions/Improvements to the Ditch-The Additions/Improvements proposed for the Ditch are the installation of the pipeline and related appurtenances and improvements defined in the Contract(s), which is attached hereto as Exhibit A and made a part of this Agreement.

2. The Loan-The Loan from CWCB is defined by the feasibility study, the loan application and the Loan Contract, which includes the Promissory Note, the Resolutions, the Security Agreement, and the loan commitment; all attached

PAID IN FULL

hereto as Exhibit B and made a part of this Agreement.

3. Membership Approval-The Corporation agrees to seek approval by the Membership of the Additions/Improvements to the Ditch proposed by the Funding Members, including the contract(s), the Loan and this Funding Agreement.

4. If the Membership approves the Additions/Improvements for the Ditch including the Contract(s) and the Loan, the Funding Members hereby agree to pay all of the costs incurred by the Corporation arising from the Contract(s), including any cost of overruns, and from the Loan.

5. The Corporation shall set the annual date for payment by the Funding Members and send an invoice to each Member thirty days prior to the due date. The Funding Members agree to pay the first annual installment to the Corporation at the time of the first draw on the Loan, which the Company shall sue to establish a payment reserve account for repayment of the Loan. The Funding Members further Agree to pay a second annual payment into the payment reserve account over the first three years of the Loan (to be surcharged one-third of an annual payment each year).

6. The Funding Members agree that if any Funding Member fails to make the annual payment required under Sections 4 and 5 herein, the remaining Funding Members will each make an additional pro-rated payment to the Corporation that totals the amount owed by the defaulting Funding Member(s). The additional payment shall be due ten working days from the Funding Members' receipt of notice from the Corporation of the additional amount due. In the notice, the Corporation shall identify the amount each Funding Member needs to pay as his or her share of the amount needed for the annual payment(s) that were not made to the Corporation. The Funding Members and Corporation intend that the CWCB is a third-party beneficiary of this paragraph.

7. The Corporation agrees to receive prepayments of principal from any Funding Member at anytime and credit such amounts immediately against the Member's obligation. A Funding Member ceased to be a Funding Member upon prepayment of his/her total remaining share of the Loan balance.

8. Any Funding Member who fails to pay an assessment to the Corporation when due shall be a Defaulting Member and, as such, agrees to be subject to applicable policies and regulations of the Corporation which may include, but is not limited to, imposition of fines, fees, penalties, interest, and loss of rights as a member.

9. The Funding Members agree to share the cost arising from the NRCS Contract(s) and for the CWCB Loan repayment based on twelve (12) equal portions by the following funding members:

PAID IN FULL

1	Mark A Bonille <i>Bonella</i>	8.33%
2	Colorado 9 th LLC	8.33%
3	Diana F Davis-Reiber	8.33%
4	Richard Brennan	8.33%
5	Raymond L Haller	8.33%
6	Douglas Heldman	8.33%
7	Timothy L Hickman	8.33%
8	Dana F McDonald	8.33%
9	A M Murry	8.33%
10	David A Snapp	8.33%
11	Dennis Sweet	8.33%
12	Mike Kiser	<i>8.33%</i>
	Total	100%

10. The Corporation agrees that any Member of the Corporation or any non-Member that seeks to have water carried In the pipeline not included in Section 9 above shall be required to bear a proportional share of the costs arising from the NRCS Contact and for the CWCB Loan repayment through a reallocation of the percentages in Section 9 above: provided however, that the Corporation shall also impose the costs upon the carriage of such water in the pipeline.

11. The Corporation and the Funding Members agree that the pipeline must be operated full of water in order to maximize the benefits of the pipeline to the water users and further agree to jointly make best efforts for keep the pipeline completely full of water at all times during the irrigation season.

12. The Funding Members understand that the corporation may pledge this Funding Agreement as collateral for the Loan, that the Corporation will rely on this Funding Agreement for its primary source of money for repayment of the Loan and that the Corporation may use all legal means available to collect from Funding Members any amounts in arrears.

13. This Agreement may be signed in counterparts and some participants may require a notarized signature if required by Company President.

14. The parties agree that the Corporation shall be the owner of the Additions/Improvements. The Parties also acknowledge that Members' rights to use the headgate, the point of diversion and easements for the Ditch that are pledged for use by the Corporation pursuant to the Bylaws of the Corporation, may be pledged by the Corporation to secure the Loan.

15. The Parties agree that, if the Corporation is force to default on the Loan due to failure of the Members to pay assessments pursuant to this Funding Agreement and the Bylaws, the Corporation may cease delivery of water by closing the headgate and that this right may be pledged to secure the Loan.

• **PAID IN FULL**

16. This Agreement is binding upon heirs, successors and assigns of the parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

Mark A. ^{Bovella}~~Benille~~

Mark A. Bovella

Colorado 9th LLC

Randy Alhelt

Diana F Davis-Reiber

Diana F Davis-Reiber

Richard Brennan

Richard Brennan 12-17-06

Raymond L Haller

Raymond L Haller

Douglas Heldman

Doug V Heldman

Timothy L Hickman

Timothy L Hickman

Dana F McDonald

Dana F McDonald 12-17-06

A M Murry

A M Murry

David A Snapp

David A Snapp 5/07

Dennis Sweet

Dennis Sweet

Mike Kiser

Mike Kiser

PAID IN FULL

UCC Financing Statement Amendment

Colorado Secretary of State

Date and Time: 08/25/2021 11:15:41 AM

Master ID: 20192015825

Validation Number: 20212082521

Amount: \$8.00

Initial Financing Statement

File #: 20192015825

File Date: 02/26/2019 10:13:37 AM

Filing office: Secretary of State

This amendment is a termination.

Authorizing Party (Secured Party): (Organization)

Name: STATE OF COLORADO - COLORADO WATER CONSERVATION BOARD

Address1: 1313 SHERMAN ST ROOM 718

Address2:

City: DENVER

State: CO

ZIP/Postal Code: 80203

Province:

Country: United States

PAID IN FULL

PAID IN FULL

PAID IN FULL

UCC Financing Statement

Colorado Secretary of State

Date and Time: 02/26/2019 10:13:37 AM

Master ID: 20192015825

Validation Number: 20192015825

Amount: \$8.00

Debtor: (Organization)

Name: Headgate 396 Lateral Corporation

Address1: P.O. Box 3724

Address2:

City: Grand Junction

State: CO

ZIP/Postal Code: 81502

Province:

Country: United States

Secured Party: (Organization)

Name: STATE OF COLORADO - COLORADO WATER CONSERVATION BOARD

Address1: 1313 SHERMAN ST ROOM 718

Address2:

City: DENVER

State: CO

ZIP/Postal Code: 80203

Province:

Country: United States

Collateral

Description:

SECURED PARTY'S REVENUES PLEDGED TO REPAY LOAN OF \$128,991.20 IN ACCORDANCE WITH LOAN CONTRACT NO. C150234, AS AMENDED, AND PROMISSORY NOTE, DATED APRIL 1, 2008

Optional Information

Optional filer reference data/miscellaneous information:

RENEWAL OF LAPSED FILING #20132046478

UCC Financing Statement

Colorado Secretary of State

Date and Time: 05/28/2013 14:30:49 PM

Master ID: 20132046478

Validation Number: 20132046478

Amount: \$8.00

Debtor: (Organization)

Name: Headgate 396 Lateral Corporation

Organizational ID: 20051349354

Address1: P.O. Box 3724

Address2:

City: Grand Junction

State: CO

ZIP/Postal Code: 81502

Province:

Country: United States

Type of organization: Nonprofit Corporation

Jurisdiction of organization: CO

Secured Party: (Organization)

Name: State of Colorado - Colorado Water Conservation Board

Address1: 1313 Sherman St

Address2: Rm 721

City: Denver

State: CO

ZIP/Postal Code: 80203

Province:

Country: United States

Collateral

Description:

SECURED PARTY'S REVENUES PLEDGED TO REPAY LOAN OF \$128,991.20 IN ACCORDANCE WITH LOAN CONTRACT NO. C150234, AS AMENDED, AND PROMISSORY NOTE, DATED APRIL 1, 2008.

IMAGED

UCC FINANCING STATEMENT AMENDMENT

Filing Fee: \$18

Follow Instructions Carefully

A. NAME & PHONE OF CONTACT (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

[Colorado Water Conservation Board
Attn: Water Supply Planning & Finance
1580 Logan Street, Suite 750
Denver, CO 80203]

20082069173 C
\$ 18.00
SECRETARY OF STATE
07-09-2008 13:30:01

ABOVE SPACE FOR FILING OFFICE USE ONLY

1. Initial Financing Statement Information (Required)

1a. Original Filing Number: 20072035826 C

1b. Original Filing Date: 04/09/07

1c. If filed prior to January 1, 2000, indicate Original Filing Office:

2. ☐ Termination: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. ☐ Continuation: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4. ☐ Assignment: Give name of assignee in item 7a or 7b and address of assignee in item 7c; also give name of assignor in item 9.

5. Amendment (Party information): This Amendment affects ☐ Debtor or ☐ Secured Party of record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

☐ CHANGE name and/or address: Give current record name in item 6a or 6b; also give new name (if name change) in item 7a or 7b and/or new address (if address change) in item 7c.

☐ DELETE name: Give record name to be deleted in 6a or 6b.

☐ ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7e-7g (if applicable)

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME
OR Headgate 396 Lateral Corporation

6b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME

OR
7b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

7c. MAILING ADDRESS

P.O. Box 2991

CITY

Grand Junction

STATE

CO

POSTAL CODE

81502

COUNTRY

USA

ADD'L INFO RE
ORGANIZATION
DEBTOR

7e. TYPE OF ORGANIZATION

DNC

7f. JURISDICTION OF ORGANIZATION

CO

7g. ORGANIZATION ID#, if any

CO20051349354

☐ NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box.

Describe collateral ☐ deleted or ☐ added, or give entire ☒ restated collateral description, or describe collateral ☐ assigned

SECURED PARTY'S REVENUES PLEDGED TO REPAY LOAN OF \$128,991.20 IN ACCORDANCE WITH LOAN CONTRACT NO. C150234, AS AMENDED, AND PROMISSORY NOTE, DATED APRIL 1, 2008.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here ☐ and enter name of DEBTOR authorizing this Amendment

9a. ORGANIZATION'S NAME
OR State of Colorado - Colorado Water Conservation Board

9b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

10. OPTIONAL FILER REFERENCE DATA

Loan Contract No. C150234

COLORADO UCC FINANCING STATEMENT

Filing Fee: \$18

Follow Instructions (front and back) Carefully

A. NAME & PHONE OF CONTACT (optional)	
B. SEND ACKNOWLEDGMENT TO: (Name and Address)	
[COLORADO WATER CONSERVATION BOARD ATTN: WATER SUPPLY PLANNING & FINANCE 1580 LOGAN STREET, SUITE 750 DENVER, COLOARDO 80203]	

20072035826 C
\$ 18.00
SECRETARY OF STATE
04-09-2007 14:43:56

ABOVE SPACE FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

OR	1a. ORGANIZATION'S NAME Headgate 396 Lateral Corporation				
	1b. INDIVIDUAL'S LAST NAME				
1c. MAILING ADDRESS 2245 I Road		CITY Grand Junction	STATE CO	POSTAL CODE 81505	COUNTRY USA
ADD'L INFO RE ORGANIZATION DEBTOR		1e. TYPE OF ORGANIZATION DNC	1f. JURISDICTION OF ORGANIZATION CO		1g. ORGANIZATIONAL ID#, if any CO20051349354 <input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S LAST NAME				
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
ADD'L INFO RE ORGANIZATION DEBTOR		2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION		2g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME COLORADO WATER CONSERVATION BOARD				
	3b. INDIVIDUAL'S LAST NAME				
3c. MAILING ADDRESS 1580 LOGAN STREET, SUITE 750		CITY DENVER	STATE CO	POSTAL CODE 80203	COUNTRY USA

4. This FINANCING STATEMENT covers the following collateral:

SECURED PARTY'S REVENUES PLEDGED TO REPAY LOAN OF \$232,300.00 IN ACCORDANCE WITH LOAN CONTRACT NO. C150234 AND PROMISSORY NOTE DATED FEBRUARY 16, 2007.

5. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSEE/LESSOR <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAILOR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> AG LIEN <input type="checkbox"/> NON-UCC FILING	
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) in the REAL ESTATE RECORDS	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (Optional) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA LOAN CONTRACT NO. C150234	