

WTC - 60560KR

Vol M03 Page 90648

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (hereafter referred to as this "Mortgage") is made and entered into as of December 5, 2003, by JESPERSEN-EDGEWOOD, INC., an Oregon corporation; LAWRENCE (a/k/a Larry) C. JESPERSEN and V. MAUREEN JESPERSEN, husband and wife; LEONARD K. JESPERSEN and VICKY L. JESPERSEN, husband and wife; and KENNETH L. JESPERSEN and LORNA C. JESPERSEN, husband and wife, whose address is 12944 Swan Lake Road, Klamath Falls, Oregon 97603 (collectively referred to as the "Borrower") to Transamerica Life Insurance and Annuity Company, a North Carolina corporation, its successors and assigns, ("Lender") whose address is c/o AEGON USA Realty Advisors, Inc., 4333 Edgewood Road N.E., Cedar Rapids, IA 52499-5443.

WITNESSETH:

A. GRANT. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the indebtedness and other obligations of Borrower hereafter set forth, Borrower does hereby grant, bargain, sell, convey, mortgage, assign, transfer, pledge and set over unto Lender and the successors and assigns of Lender all of the following, whether now held or hereafter acquired (hereafter collectively referred to as the "Real Property"):

(1) the real property located in Klamath County, Oregon as more particularly described in Exhibit A attached hereto and incorporated herein by reference (hereafter referred to as the "Land");

(2) all buildings, structures, fixtures, improvements, equipment, goods, and appurtenances of every nature whatsoever now or hereafter situated on the Land (hereafter referred to as "Improvements and Fixtures"), including, without limitation, (a) houses, barns, sheds, warehouses, pumphouses, bunkhouses, hothouses, mobilehomes and all other buildings and structures; (b) shrubs, trees, permanent plantings and timber now growing or hereafter to be grown on the Land; (c) grain bins, storage bins and tanks, metal sheds and buildings, wind machines, freeze and frost protection equipment, water towers, windmills; (d) all towers, fences, gates, stakes, posts and trellises; (e) all electric, water and gas lines, wiring, generators, motors, pipe and equipment together with meters, transformers, switch boxes, fuse panels, circuit breakers, timing devices, thermostats, and control valves; (f) all wells, irrigation and drainage equipment of all types (other than portable irrigation motors customarily towed by a motor vehicle) including, without limitation, pumping stations, pipe, pumps, motors, gearheads, pivots, sprinkler systems, hand lines, tow lines, control valves, culverts, and well casings; (g) air conditioning, climate control and heating equipment including coils, compressors, ducts and heaters; (h) all refrigerators, stoves and other built-in equipment; (i) processing, packaging, loading and storage facilities and equipment, including augers, scales, belts, motors and conveyance equipment related thereto; (j) all other machinery, apparatus, and equipment of every kind and nature now or hereafter attached to, located on, in, or about the Land, or used or intended to be used in connection with the use, operation, or enjoyment of the Land or related to the operation of the Property including without limitation the property described in Exhibit B attached hereto and incorporated herein by this reference (but excluding property which may be or deemed to be toxic or hazardous materials, and also excluding self-propelled motor driven vehicles and farm implements customarily towed by or attached thereto (collectively, "rolling stock")); (k) all railroad tracks, spurs and related equipment and facilities; and (l) all additions accessions,

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substitutions and replacements thereof, all of which are hereby declared and shall be deemed to be fixtures and accessions to the Land and a part of the Real Property as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the Secured Obligations (as defined in Section B below);

(3) all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, railroad spurs and rights, waters, water courses, water rights, claims and powers, now or hereafter located on the Land or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, minerals, royalties, easements, privileges, liberties, tenements, hereditaments and appurtenances, reversion and reversions, remainder and remainders whatsoever, in any way belonging, relating or appertaining to the Land or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Borrower;

(4) all present and future income, rents, issues, profits and revenues of the Real Property from time to time accruing (including, without limitation, all payments under leases or tenancies, chattel paper, investment property, instruments, documents, letter of credit rights, unearned premiums on any insurance policy carried by Borrower for the benefit of Lender and/or the Real Property, tenant security deposits, deposit accounts, escrow funds and all awards or payments, including interest thereon and the right to receive same, growing out of or as a result of any exercise of the right of eminent domain, including the taking of any part or all of the Real Property or payment for alteration of the grade of any road upon which said Real Property abuts, or any other injury to, taking of or decrease in the value of said Real Property to the extent of all amounts which may be owing on the Secured Obligations at the date of receipt of any such award or payment by Borrower, and the reasonable attorneys' fees, costs and disbursements incurred by Lender in connection with the collection of such award or payment), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law or in equity, of Borrower of, in and to the same;

(5) all insurance policies and proceeds thereof, contracts, permits, licenses, plans or intangibles now or hereafter dealing with, affecting or concerning the Real Property, including, without limitation, all rights accruing to Borrower from any and all contracts with all contractors, architects, engineers or subcontractors relating to the construction of improvements on or upon the Land, including payment, performance and/or materialmen's bonds and any other related causes of action;

(6) all rights of Borrower or the Land to all water (including any water inventory in storage), water rights, claims and entitlements, other rights to water and other rights to receive water or water rights, of every kind or nature, including without limitation, (a) the groundwater on, under, pumped from or otherwise available to the Land, whether as a result of groundwater rights, contractual rights or otherwise; (b) the right to remove and extract any such groundwater including any permits, rights or licenses granted by any governmental authority or agency and any rights granted or created by any easement, covenant, agreement or contract with any person or entity; (c) any rights to which the Land is entitled with respect to surface water, whether such right is appropriative, riparian, prescriptive or otherwise and whether or not pursuant to permit or other governmental authorization, or the right to store any such water; (d) any water, water right, water allocation, distribution right, delivery right, water storage right, or other water-related entitlement appurtenant or otherwise applicable to the Land by virtue of the Land's being situated within the boundaries of any district, agency, or other governmental entity or within the boundaries of any private water company, mutual

water company, or other non-governmental entity; (e) any drainage rights appurtenant or otherwise applicable to the Land; (f) all rights to transport, carry, allocate or otherwise deliver water or any of the foregoing rights from or to the Land by any means, wherever located; (g) any shares (or any rights under such shares) of any private water company, mutual water company, or other non-governmental entity pursuant to which Borrower or the Land may receive any of the rights referred to in subsections (a) through (f), above, including without limitation those water rights identified on attached Exhibit C (collectively referred to hereafter as the **"Water Rights"**);

(7) all rights to drain the Land including rights in drainage districts (and the right to vote for and elect representatives in such drainage districts) together with all rights of Borrower in agricultural cooperatives for milling, ginning, grinding, storage and marketing of crops harvested from the Land;

(8) all crops now or hereafter growing, grown or produced on the Land; and

(9) all rights to receive, participate in, or otherwise secure the benefits of any and all government programs, including but not limited to set aside programs, including but not limited to set aside programs, payment in kind programs, and governmental loans which are available for use in connection with the Real Property.

The Real Property described above together with the Personal Property collateral described in Section 3.1 below are hereafter sometimes referred to collectively as the **"Property."** The Property, including without limitation, all parts, rights, members and appurtenances thereof is held by Borrower, for the use, benefit and behalf of Lender and the successors and assigns of Lender, in fee simple.

B. **SECURED OBLIGATIONS.** This Mortgage is given to secure the payment and performance of the following in such manner as Lender in its sole discretion shall determine (collectively referred to hereafter as the **"Secured Obligations"**):

(1) the indebtedness evidenced by that certain Promissory Note Secured by Mortgage of even date herewith made by Borrower in the original principal amount of FOUR MILLION AND 00/100 DOLLARS (\$4,000,000.00) payable to the order of Lender under which the final payment is due on April 15, 2019 (hereafter the **"Note"**) (which Note provides that the interest rate thereunder may be adjusted), including without limitation any prepayment premium due thereunder, together with any and all renewals, extensions, substitutions, modifications and consolidations of the Note and the indebtedness evidenced thereby (the **"Loan"**);

(2) any and all advances made by Lender as hereafter provided: (a) to protect or preserve the Property or the lien created hereby on the Property; (b) for insurance premiums; (c) for real estate and personal property and other taxes and assessments, and any and all other charges, expenses, utility charges, payments, claims, mechanics' or material suppliers' liens or assessments of any nature that at any time prior to or after the execution of the Loan Documents (as defined in subsection (3) of this Section) may be assessed, levied, imposed, or become a lien upon the Property, or the rent or income received therefrom, or any use or occupancy thereof (collectively, **"Impositions"**); (d) for performance of any of Borrower's obligations hereunder, or for any other purpose provided herein (whether or not the original Borrower remains the owner of the Property at the time of such advances); provided, however, nothing herein shall be deemed to obligate Lender to make any such advances;

(3) any and all obligations and covenants of Borrower under the Note, this Mortgage or any other document, instrument or agreement now or hereafter evidencing, securing or otherwise relating to the Note secured hereby, or which recites by its own terms that it is secured by this Mortgage, as amended or modified from time to time, including without limitation that certain Loan Agreement and Borrower's Closing Certificate of even date herewith and that certain Agricultural Mortgage Loan Application/Commitment between Borrower and AEGON USA Realty Advisors, Inc. dated September 9, 2003 and executed by Borrower on or about September 15, 2003 (as modified by letter dated November 4, 2003, and subsequently assigned to Lender) (hereafter referred to collectively as the "Loan Documents"), and all costs of collection, including reasonable attorneys' fees, but excluding however, that certain Environmental Indemnity Agreement executed by Borrower for the benefit of Lender of even date herewith, which is not secured by the lien of this Mortgage (the "Environmental Indemnity Agreement").

ARTICLE 1

COVENANTS, REPRESENTATIONS AND WARRANTIES

Borrower hereby further covenants and agrees with and for the benefit of Lender as follows:

1.1 PAYMENT OF INDEBTEDNESS, COVENANTS AND WARRANTIES.

1.1.A. Borrower will pay the Note according to the terms thereof and will pay all other Secured Obligations, with interest thereon, as provided in the Loan Documents, at the time and in the manner provided under the Note, this Mortgage, any instrument evidencing a future advance and any other Loan Document, and Borrower will otherwise perform, comply with and abide by each and every stipulation, agreement, condition and covenant contained in the Note, this Mortgage and every other Loan Document and any and all leases and other agreements with respect to the Property to which Borrower is a party.

1.1.B. Borrower shall protect, indemnify and hold Lender harmless from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs, and expenses (including, without limitation, attorneys' fees and court costs) imposed upon or incurred by Lender by reason of this Mortgage or in exercising, performing, enforcing, or protecting Lender's rights, title, or interests set forth herein, and any claim or demand whatsoever which may be asserted against Lender by reason of any alleged obligation or undertaking to be performed or discharged by Lender under this Mortgage and such amounts paid by Lender shall become part of the Secured Obligations. In addition, Borrower covenants and agrees that it shall:

(1) not initiate, join in or consent to any change in any covenant, easement, or other public or private restriction, limiting or defining the uses which may be made of the Property, or any part thereof, without Lender's prior written consent;

(2) not take any action or fail to take any action which will result in any Imposition affecting the Property, Borrower, the Note or this Mortgage; and

(3) indemnify and hold Lender harmless from any and all costs, damages or liabilities resulting from, arising out of, or related to, the creation or existence of any liens, Impositions or encumbrances by or against Borrower or Borrower's predecessor in title, or the Property.

1.1.C. Borrower covenants that Borrower is lawfully seized and possessed of the Property and has good right to convey the lien of this Mortgage as an encumbrance against the Property, that the Property is unencumbered except for those matters expressly approved by Lender in writing, liens in favor of Lender, and leases permitted hereunder (hereafter referred to as the "Permitted Exceptions"), and that Borrower does warrant and will forever defend the title thereto against the claims of all persons whomsoever, except as to the Permitted Exceptions.

1.2 TAXES, LIENS AND OTHER CHARGES.

1.2.A. In the event of the passage of any law, order, rule or regulation subsequent to the date hereof, in any manner changing or modifying the taxation of mortgages or security agreements so as to affect Lender adversely, Borrower shall promptly pay any such tax on or before the due date thereof. If Borrower fails to make such prompt payment or if any such law, order, rule or regulation prohibits Borrower from making such payment or would penalize Lender if Borrower makes such payment, then the entire balance of the Secured Obligations and all accrued interest thereon shall, at the option of Lender, become immediately due and payable.

1.2.B. Borrower shall pay before the due date thereof, all taxes, levies, license fees, permit fees, liens, judgments, assessments and all other expenses, fees and charges of every character whatsoever now or hereafter levied, assessed, or imposed on the Property or Borrower, or any part thereof, or any estate, right, or interest therein, or upon the rents, issues, income or profits thereof, or relating to the Property, and shall submit to Lender such evidence of the due and punctual payment of all such taxes, assessments, and other fees and charges as Lender may require.

1.2.C. Borrower shall not suffer any mechanic's, materialmen's, laborer's, statutory or other lien to be created, filed of record, or to remain outstanding upon all or any part of the Property.

1.3 INSURANCE.

1.3.A. Borrower shall, at its expense, procure for, deliver to and maintain for the benefit of Lender, until the Secured Obligations are fully repaid, original fully paid insurance policies (or if such policy is a "blanket" policy which includes land, improvements, personalty, or income other than the Property or income derived from the Property, a certified copy of such blanket policy and an original certificate from the insurer evidencing the allocation of coverage to the Property and the income from the Property), providing the following types of insurance relating to the Property, issued by insurance companies with a Best's rating of "A," VIII, or better, without regard to the rating of the insurance company's parent or subsidiary, in such amounts, in such form and content and with such expiration dates as are approved by Lender:

(1) special form/open peril/special perils property insurance against all risks of physical loss, including, without limitation, fire, extended coverage, vandalism, malicious mischief, earthquake, flood and collapse, with waiver of subrogation, insuring to the extent of the full

replacement cost of all improvements on the Property, without deduction for depreciation, either without co-insurance requirements or with agreed amount endorsement attached;

(2) comprehensive/general liability insurance covering all liabilities or risks incident to the ownership, possession, occupancy and operation of the Property having limits of not less than \$1,000,000 combined single limit each occurrence and a minimum aggregate limit of \$2,000,000.00. Lender reserves the right to require increased amounts of coverage. This coverage may be in the form of umbrella/excess liability insurance.

(3) flood hazard insurance, if the Property is in an area which is, at any time during the term of this Mortgage, identified by the Secretary of Housing and Urban Development or the Federal Emergency Management Agency, or any successor agency or governmental authority, as having special flood or mud slide hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 as amended;

(4) broad form boiler and machinery. If any boilers or other machinery are located on or about the Real Property, Borrower shall maintain broad form boiler and machinery coverage, including a form of business income coverage

(5) worker's compensation coverage, if applicable; and

(6) such other insurance with respect to the Property or any replacements or substitutions therefor, in such amounts as may from time to time be required by Lender, against other insurable casualties which at the time are commonly insured against by prudent operators of properties of similar type or character, including but not limited to, liquor liability, earthquake, windstorm, mine subsidence, sinkhole, supplemental liability or coverages of other property specific risks, as determined by Lender.

Such insurance policies shall (i) provide that the insurer shall give Lender at least thirty (30) days' prior written notice of cancellation, amendment, non-renewal or termination, in the manner provided for the giving of notices under Section 5.5 below, (ii) provide that no act or omission by the insured shall invalidate or diminish the insurance provided to Lender, (iii) except for liability policies, contain a mortgagee clause naming Lender as an additional insured and loss payee in a form satisfactory to Lender, and (iv) provide for a deductible no greater than \$25,000.00.

1.3.B. Borrower covenants and agrees that Lender is hereby authorized and empowered, at its option, to adjust, compromise or settle any loss under any insurance policies maintained pursuant hereto, and to collect and receive the proceeds from any policy or policies. Each insurance company is hereby authorized and directed to make payment for all such losses directly to Lender, instead of to Borrower and Lender jointly. In the event any insurance company fails to disburse directly and solely to Lender but disburses instead either solely to Borrower or to Borrower and Lender jointly, Borrower agrees immediately to endorse and transfer such proceeds to Lender. After deducting from said insurance proceeds all of its expenses incurred in the collection and administration of such sums, including attorneys' fees, Lender may apply the net proceeds or any part thereof, at its sole option (1) to a prepayment of the Note without prepayment premium or penalty, (2) to the repair and/or restoration of the Property, and/or (3) for any other purposes or objects for which Lender is entitled to advance funds under this Mortgage, all without reducing or impairing the

lien of this Mortgage or any obligations secured hereby. Any balance of such proceeds then remaining shall be paid to Borrower or any other person or entity lawfully entitled thereto.

1.3.C. At least twenty (20) days prior to the expiration date of each policy maintained pursuant to this Section 1.3, a renewal or replacement thereof satisfactory to Lender shall be delivered to Lender. An original or certified copy of each policy is required upon renewal. If no such copy is available, Lender will accept an Accord 27 (property insurance) for a period not to exceed ninety (90) days. Borrower shall deliver to Lender receipts evidencing the full payment of premiums for all such insurance policies and renewals or replacements. The delivery of any insurance policies hereunder shall constitute an assignment of all unearned premiums as further security hereunder. Any vacancy, change of title, tenant use or occupancy, physical damage, additional improvements or other factors affecting any insurance contract must be reported to Lender immediately.

1.3.D. On all property policies and coverages, Lender shall be named as "first mortgagee" under a standard mortgagee clause. On all liability policies and coverages, the Lender must be named as an "additional insured". Lender shall be referred to verbatim as follows: Transamerica Life Insurance and Annuity Company and its successors, assigns and affiliates, as their interest may appear; c/o AEGON USA Realty Advisors, Inc., Mortgage Loan Dept.; 4333 Edgewood Road, NE; Cedar Rapids, Iowa; 52499-5443. All certificates of insurance and original or certified copies of policies must name Borrower as a named insured, or as an additional insured, must include the complete and accurate property address and must bear the original signature of the issuing insurance agent.

1.4 CONDEMNATION.

1.4.A. If all or any material portion of the Property shall be damaged or taken through direct or indirect condemnation (which term when used in this Mortgage shall include any damage or taking by any governmental or quasi-governmental authority and any transfer or grant by private sale made in anticipation of or in lieu thereof), either temporarily or permanently, then all the Secured Obligations shall, at the option of Lender, become immediately due and payable without prepayment premium. Promptly upon learning of the institution or the proposed, contemplated or threatened institution of any condemnation proceeding, Borrower shall notify Lender of the pendency of such proceedings, and no settlement respecting awards in such proceedings shall be effected without the consent of Lender. Lender shall be entitled to receive all compensation, awards, proceeds and other payments or relief relating to or payable as a result of such condemnation. Lender is hereby authorized, at its option, to commence, appear in and prosecute, in its own or in the name of Borrower, any action or proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. All such compensation, awards, damages, claims, rights of action and proceeds and the right thereto are hereby assigned by Borrower to Lender.

1.4.B. If Lender does not elect to declare all the Secured Obligations immediately due and payable, as provided in Section 1.4.A. above, then Lender, after deducting from said condemnation proceeds all of its expenses incurred in the collection and administration of such sums, including, without limitation, attorneys' fees, may apply the net proceeds or any part thereof, at its option: (1) to a prepayment of the Note, without prepayment premium, (2) to the repair and/or restoration of the Property upon such conditions as Lender may determine, and/or (3) for any other purposes or objects for which Lender is entitled to advance funds under this Mortgage, all without

reducing or impairing the lien of this Mortgage or any obligations secured hereby. Any balance of such moneys then remaining shall be paid to Borrower or any other person or entity lawfully entitled thereto. Lender shall not be obligated to see to the proper application of any amount paid over to Borrower. If, prior to the receipt by Lender of such award or proceeds, the Property shall have been sold on foreclosure of this Mortgage, or as a result of other legal action relating to this Mortgage or the Note, Lender shall have the right to receive such award or proceeds to the extent of any unpaid Secured Obligations following such sale, with legal interest thereon, whether or not a deficiency judgment on this Mortgage or the Note shall have been sought or recovered, and to the extent of attorneys' fees, costs and disbursements incurred by Lender in connection with the collection of such award or proceeds.

1.5 CARE OF PROPERTY.

1.5.A. Borrower shall keep the Property, including without limitation all permanent plantings, irrigation facilities and equipment, ditches, canals, drainage and wastewater facilities, roads, buildings, fixtures, appurtenances, equipment and improvements of any kind now or hereafter erected on or used in connection with the Land or any part thereof, in good condition and repair, shall not commit or suffer any waste. Borrower shall also replace roofs, parking lots, irrigation and mechanical systems and other elements of the Property requiring periodic replacement. Borrower shall not do or suffer to be done anything which would or could increase the risk of fire or other hazard to the Property or any part thereof or which would or could result in the cancellation of any insurance policy carried with respect to the Property.

1.5.B. Borrower shall not cause or permit the removal, demolition or material alteration, enlargement or change to any structure or other improvement located on the Land without Lender's prior written consent. Borrower shall not cause or permit the construction of any new improvements on the Land without Lender's prior written consent. Borrower shall not cause or permit the removal of any fixture, chattel or part of the Property from the Land without Lender's prior written consent, except where appropriate replacements are immediately made which are free of any lien, security interest or claim superior to that of this Mortgage and which have a value and utility at least equal to the value and utility of the fixture or chattel removed, which replacement shall, without further action, become subject to the lien of this Mortgage.

1.5.C. Borrower shall ensure that all operations of the Property conform to the standards of husbandry in the geographic area in which Land is located and shall, at all times, act so as to minimize erosion and depletion of the soil. Borrower shall ensure that all wastewater or other discharges to the environment are conducted in conformance with current industry practices and all current regulatory requirements. Borrower shall use the Property solely for a hay and crop growing business.

1.5.D. Without otherwise limiting the Borrower's covenant not to commit or permit waste, Borrower shall not (1) remove or permit the removal of sand, gravel, topsoil or timber, (2) use or permit the use of the Property for borrow pit operations, (3) use or permit the use of the Property as a land fill or dump, (4) burn or bury or permit the storage, burning or burying of any material or product which will result in contamination of the Property or the groundwater or which will require the issuance of a permit by the Environmental Protection Agency or any state or local government agency governing the issuance of hazardous or toxic waste permits, (5) remove or permit the removal of permanent plantings on the Land, other than dead or diseased plantings removed and replaced in the

normal course of farming, or (6) request or permit a change in the zoning or land use classification in effect as of the date of this Mortgage.

1.5.E. Lender or its representative is hereby authorized to enter upon the Land at all reasonable times for purposes of inspecting the Property and for the purpose of performing any of the acts Lender is authorized to perform hereunder or under the terms of any of the Loan Documents.

1.5.F. Borrower will perform and comply promptly with, and cause the Property to be maintained, used and operated in accordance with, any and all (1) present and future laws, ordinances, rules, and regulations, including without limitation, all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and rules, regulations and ordinances of the United States Environmental Protection Agency and all other applicable federal, state and local agencies and bureaus; and (2) policies of insurance at any time in force with respect to the Property. Borrower shall maintain in force and in good standing all licenses, permits or contracts necessary, or reasonably considered by Lender to be desirable for the contemplated operation and maintenance of the Property. If Borrower receives any notice that Borrower or the Property is in default under or is not in compliance with any of the foregoing, or notice of any proceeding initiated under or with respect to any of the foregoing, Borrower will promptly furnish a copy of such notice to Lender.

1.5.G. If all or any part of the Property shall be damaged by fire or other casualty, Borrower shall give immediate written notice thereof to Lender and shall promptly restore the Property to the equivalent of its original condition; and if a part of the Property shall be damaged through condemnation, Borrower shall promptly restore, repair or alter the remaining portions of the Property in a manner satisfactory to Lender. In the event all or any portion of the Property shall be damaged or destroyed by fire or other casualty or by condemnation, Borrower shall promptly deposit with Lender a sum equal to the amount by which the estimated cost of the restoration of the Property, as determined by Lender, exceeds the actual net insurance or condemnation proceeds received by Lender in connection with such damage or destruction.

1.5.H. Borrower, at its sole cost and expense, shall ensure that the Land will continue to have the continuing, enforceable right to receive irrigation water from such sources, in such quantities, and at such times and locations as is reasonably satisfactory for the purposes of farming, without substantially increased cost, and in such quantities, and at such times and locations as has been historically available to the Land.

1.6 REPRESENTATIONS AND WARRANTIES. Borrower, for itself and its successors and assigns, represents and warrants to and for the benefit of Lender as follows.

1.6.A. Borrower has the lawful right and authority to grant, assign, transfer and/or mortgage its interest in the Property and each portion thereof as provided in this Mortgage.

1.6.B. Neither Borrower's execution and delivery of the Note, this Mortgage or any other of the Loan Documents, nor the taking of any action in compliance with any of the foregoing will (1) contravene, cause a breach of, or constitute a default under any contract or agreement to which Borrower is a party, or (2) violate or contravene any law, order, decree, rule or regulation to which Borrower is subject.

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1.6.C. The Property and each portion thereof is free from liens, encumbrances, possessory interests and adverse claims of title other than the Permitted Exceptions.

1.6.D. All reports, certificates, affidavits, statements, financial information and other data provided by Borrower to Lender in connection with the Loan are true and correct in all material respects and do not omit any material information.

1.6.E. The Property and each portion thereof, and Borrower's actual and intended use of the Property and each portion thereof, complies with all applicable covenants, conditions and restrictions, zoning ordinances, subdivided lands laws, building codes, applicable public health and safety and environmental laws and regulations, and all other ordinances, orders or requirements issued by any local, state or federal authorities which have or claim jurisdiction over the Property.

1.6.F. No pending or threatened judicial or administrative actions, suits or proceedings affecting Borrower, or the Property or any portion thereof would, if determined adversely either to Borrower or the Property, materially impair either the Property or Borrower's ability to perform the covenants or obligations required to be performed under the Note, this Mortgage or any of the other Loan Documents.

1.6.G. Borrower declares and certifies, under penalty of perjury, that: (1) the business mailing address of Borrower is as set forth on page 1 hereof; (2) Borrower is not a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended (the "Code"); (3) Borrower's Social Security Numbers and state organization numbers are as follows:

<u>Borrower</u>	<u>Tax ID Number</u>	<u>State of Organization</u>	<u>Organization Number</u>
Jespersen-Edgewood, Inc.	93-0615190	Oregon	098657-18
Lawrence (a/k/a Larry) C. Jespersen	568-72-7692		
V. Maureen Jespersen	542-54-8406		
Leonard K. Jespersen	541-66-3017		
Vicky L. Jespersen	543-72-0269		
Kenneth L. Jespersen	550-64-6533		
Lorna C. Jespersen	558-70-0086		

and (4) Borrower understands that the information and certification contained in this Section 1.6.G. may be disclosed to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both.

1.6.H. Borrower agrees (1) to provide Lender with a new certification containing the provisions of Section 1.6.G. above immediately upon any change in such information, and (2) upon any transfer which is permitted by the terms of this Mortgage, to cause such transferee to execute and

deliver to Lender a certificate concerning the non-foreign status of such transferee substantially in the form of Section 1.6.G. above.

1.6.I. Borrower has taken, and shall continue to take, all steps required to perfect and maintain the Water Rights in all respects (including, but not limited to, the point and rate of diversion, the season of use, the nature of use and the lands to which the right is appurtenant).

1.6.J. The Land has, and will continue to have, the continuing, enforceable right to receive water for irrigation and processing purposes from such sources, in such quantities, and at such times and locations as is reasonably satisfactory for the purposes of conducting a hay and crop growing business, without interruption and in such quantities, and at such times and locations as has been historically available to the Land.

1.7 SUBROGATION. To the full extent of the Secured Obligations, Lender is hereby subrogated to the liens, claims and demands, and to the rights of the owners and holders of each lien, claim, demand and other encumbrance on the Property which is paid or satisfied, in whole or in part, out of the proceeds of the Loan, and the respective liens, claims, demands and other encumbrances shall be, and each of them is hereby, preserved and shall pass to and be held by Lender as additional collateral and further security for the Secured Obligations, to the same extent they would have been preserved and would have been passed to and held by Lender had they been duly and legally assigned, transferred, set over and delivered unto Lender by assignment, notwithstanding the fact that any instrument providing public notice of the same may be satisfied and canceled of record.

1.8 TRANSFER OF THE PROPERTY; SECONDARY FINANCING.

1.8.A. The identity and expertise of Borrower were and continue to be material circumstances upon which Lender has relied in connection with, and which constitute valuable consideration to Lender for, extending the Secured Obligations to Borrower, and any change in such identity or expertise could materially impair or jeopardize the security for the payment and performance of the Secured Obligations. Borrower covenants and agrees with Lender, as part of the consideration for extending the Secured Obligations to Borrower, that without Lender's prior written consent, Borrower shall not, voluntarily or by operation of law:

(1) sell, contract to sell, transfer, convey, pledge, encumber, assign or otherwise hypothecate or dispose of, all or any part of the Property or any interest therein whether or not as collateral security for any other obligation of Borrower;

(2) if Borrower is a corporation, partnership, trust, or other entity, sell, contract to sell, transfer, encumber, assign, merge, dissolve or otherwise hypothecate or dispose of voting control or more than fifty percent (50%) of the beneficial interest or ownership in Borrower outstanding as of the date of this Mortgage, or change any of its general partners; subject to exception for a transfer by an individual to a revocable trust created by such individual for estate planning purposes;

(3) cause or permit any junior encumbrance or lien to be placed on the Property or other collateral for the Secured Obligations;

(4) transfer, assign, sell, lease, exchange, gift, encumber, pledge, hypothecate, alienate, grant an option to purchase, or otherwise dispose of, directly, indirectly or in trust, voluntarily or involuntarily, by operation of law or otherwise, or enter into a binding agreement to do any of the foregoing with respect to all or any part of the Water Rights or any material amount of irrigation water produced on the Land or a portion thereof or any water to which the Land or a portion thereof or owner of the Water Rights is entitled to receive delivery; or

(5) enter into or renew any leases, subleases, tenant contracts, or rental agreements with respect to any portion of the Property for terms (including any renewal or extension options) in excess of one (1) year or for purposes or uses other than agricultural, other than residential leases terminable in not more than thirty (30) days' notice.

1.8.B. Any purported transaction in violation of Section 1.8.A. above shall be void and shall entitle Lender to declare all the Secured Obligations immediately due and payable without notice or demand. Lender may give or withhold its consent to any of the foregoing in its sole and absolute discretion and consent may be conditioned upon payment to Lender of a fee for processing the request for consent and other administrative costs incurred in connection therewith, and/or an express written assumption by any permitted transferee of the Note and the Loan Documents in form satisfactory to Lender, and/or an increase in the rate of interest on the unpaid balance of the Note to a then current market rate, and/or a change in the term of the Note, and/or other changes in the terms of the Loan Documents as Lender may determine, all of which Borrower hereby agrees are reasonable conditions to the approval of any such transfer.

1.8.C. Notwithstanding the provisions of Section 1.8.A., above, Borrower shall be entitled to do the following.

(1) Replace obsolete, fully-depreciated or non-functional items of equipment constituting a portion of the Property encumbered hereby, as reasonably required for the proper and efficient operation of the Property; provided that all such replacements or substitutions shall remain encumbered by the first lien and security interest of this Mortgage. Borrower shall execute all such documents and instruments as may be required to protect and preserve the first lien priority of this Mortgage with respect to any replacements or substitutions of any portion of the equipment portion of the Property.

(2) Obtain annual loans for the purpose of financing the costs of planting, cultivating and harvesting crops on the Land and necessarily related farming operations on the Real Property ("**Annual Operating Loan**") secured by Crop Collateral. As used herein, the term "**Crop Collateral**" means crops growing on the Land (excluding any trees, vines or other permanent plantings), but only to the extent such crops have been planted and/or cultivated through the proceeds of the Annual Operating Loan and are harvested within twelve (12) months of the original date of such Annual Operating Loan, and the proceeds, byproducts and accounts receivable relating thereto; and "**Crop Lender**" means the lender providing the Annual Operating Loan. Provided that no Event of Default or event which with the passage of time or the giving of notice or both would constitute an Event of Default has occurred and is continuing, Lender shall subordinate its security interest in the Crop Collateral under this Mortgage to any security interest in Crop Collateral granted by Borrower to the Crop Lender as security for repayment of an Annual Operating Loan pursuant to a subordination and intercreditor agreement to be entered into between Lender and Crop Lender on terms and conditions satisfactory to Lender in its sole and absolute discretion. Such intercreditor

agreement must provide, among other things (i) that the Crop Lender will give notice of default to Lender, (ii) the Crop Lender's security interest in Crop Collateral will remain superior to Lender's security interest in Crop Collateral only to the extent the Crop Lender provides financing for each season's crops, (iii) the Crop Lender will have no security interest in crops, or proceeds thereof, in any crop season following the crop season in which title to the Property is transferred by foreclosure of this Mortgage or a deed in lieu thereof, or a receiver is appointed for the Property, and (iv) if Lender also provides financing for a crop, Lender and Crop Lender's security in such crop shall be proportional to the percentage of financing provided by each for such crop. Under no circumstances shall the subordination of Lender's security interest in the Crop Collateral extend to crops produced on the Land after the harvest of the crops growing at the time of any transfer of title to the Land pursuant to judicial or nonjudicial foreclosure of this Mortgage or deed in lieu thereof. A default by Borrower under an Annual Operating Loan to which Lender has subordinated its interest in Crop Collateral will be a default under this Mortgage.

1.8.D. The consent by Lender to any sale, transfer, conveyance, pledge, encumbrance, assignment, creation of a security interest in or other hypothecation or disposition of the Property or the beneficial interests of Borrower shall not be deemed to constitute a novation of the Secured Obligations or a consent to any further sale, transfer, pledge, encumbrance, creation of a security interest or other hypothecation or disposition, or to waive Lender's right, at its option, to exercise its remedies for default, without notice to or demand upon Borrower or to any other person or entity upon any such sale, transfer, pledge, encumbrance, creation of a security interest in or other hypothecation, or disposition to which Lender shall not have consented.

1.9 LIMIT ON INTEREST. If from any circumstances whatsoever, fulfillment of any provision of this Mortgage, the Note or any other Loan Document, at the time performance of such provision becomes due, exceeds the limit on interest then permitted by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then Lender may, at its option (a) to the extent permitted under applicable law, declare the entire Indebtedness secured hereby, including interest and late charges, if any, and all other sums owing, immediately due and payable, (b) reduce the obligations to be fulfilled to such limit on interest, or (c) apply the amount held to be in excess of such limit on interest to the reduction of the outstanding principal balance of the Note, and not to the payment of interest, with the same force and effect as though Borrower had specifically designated such sums to be so applied to principal and Lender had agreed to accept such extra payment(s) as a premium-free prepayment, so that in no event shall any exaction be possible under the Note or this Mortgage, that is in excess of the applicable limit on interest. It is the intention of Borrower and Lender that the total liability for payments in the nature of interest shall not exceed the limits imposed by any applicable state or federal interest rate laws. The provisions of this Section 1.9 shall control every other provision of this Mortgage, and any provision of the Loan Documents in conflict with this Section 1.9.

1.10 PERFORMANCE BY LENDER OF DEFAULTS BY BORROWER. Borrower covenants and agrees that, if it shall default in the payment of any tax, lien, assessment, or charge levied or assessed against the Property; in the payment of any utility charge, whether public or private; in the payment of any insurance premium; in the procurement of insurance coverage and the delivery of the insurance policies required hereunder; or in the performance or observance of any other covenant, condition or term of this Mortgage, then Lender, at its option, but without obligation and without notice, may pay, perform or observe the same, and all payments made or costs incurred by Lender in connection therewith shall be secured hereby and shall be, without demand, immediately

repaid by Borrower to Lender with interest thereon, from the date such payment is made or expense is incurred by Lender to the date Lender is reimbursed therefor, at the Default Interest Rate provided in the Note. Borrower hereby indemnifies Lender against any and all costs, liabilities or damages, arising from or in any way related to the performance of Borrower's obligations by Lender.

1.11 ACCOUNTING AND FINANCIAL INFORMATION. Borrower shall keep and maintain, or shall cause to be kept and maintained, at Borrower's cost and expense, proper and accurate books, records and accounts reflecting all items of income and expense in connection with the operation of the Property and in connection with any services, equipment, or furnishings provided in connection with the operation of the Property. Annually, within one hundred fifty (150) days after the end of Borrower's fiscal year (December 31st), at Borrower's expense, Borrower shall furnish the following statements and other information to Lender, all of which shall be prepared by a certified public accountant, fairly and accurately present the financial condition of the subject thereof as of the dates thereof, and shall be certified by Borrower's principal financial or accounting officer:

- (a) annual income tax returns with supporting schedules for each Borrower, and
- (b) compiled annual consolidated balance sheets, profit and loss statements, and all supporting schedules covering the operation of the Property.

From and after default Lender may require that any such statements shall be audited and/or prepared and certified by an independent certified public accountant selected or approved by Lender. In the event that Borrower shall refuse or fail to furnish any statement as aforescribed, or in the event such statement shall be inaccurate or false, or in the event of failure of Borrower to permit Lender or its representatives to inspect the Property or the said books and records, such acts of Borrower shall be a default hereunder and Lender may proceed in accordance with the rights and remedies afforded Lender under the provisions hereof.

1.12 ADDITIONAL COVENANTS.

1.12.A. All transactions between Borrower and any of its affiliates shall be based on arms' length dealing in the ordinary course of business.

1.12.B. Borrower shall not, in the event a Borrower is or becomes a subsidiary or affiliate of another company, or creates a subsidiary or affiliate of its own, make contributions, dividends, loans or other cash advances directly or indirectly, to such parent, subsidiary or affiliate if the Loan is in default or if any interest and/or principal payments currently due and payable are outstanding, or if Borrower will not be able to make any Loan payments during the following twelve (12) months.

1.13 LOAN PURPOSE. Borrower hereby covenants, represents and warrants that the loan secured by this Mortgage has been incurred and made solely for agricultural or business purposes, and not for personal, family or household purposes, such covenant and agreement having been made to induce Lender to make said loan; and the proceeds of said loan are being used entirely for such agricultural business purposes.

1.14 CONSENT REQUIRED FOR INCLUSION OF PROPERTY IN IMPROVEMENT DISTRICTS. Borrower hereby covenants, represents and warrants that it will not create or initiate,

vote for, or in any other manner foster, join in or consent to the creation of, or the inclusion of the Property or any part thereof within the boundaries of any irrigation, levee, drainage or other improvement district (except school or road), under which any such district has, or will have, the power to issue bonds or other evidences of indebtedness and/or the power to make assessments against the Property, without the written consent of Lender. If a default occurs under this Section, then the Secured Obligations, at Lender's option and without notice, become immediately due and payable.

ARTICLE 2

ASSIGNMENT OF RENTS AND PROCEEDS, LEASES, AND CONTRACTS

2.1 ASSIGNMENT OF RENTS AND PROCEEDS AND LEASES. In connection with the Loan, Borrower hereby absolutely, presently and irrevocably assigns, grants, transfers, and conveys to Lender, its successors and assigns, all of Borrower's right, title, and interest in, to, and under all leases, subleases, tenant contracts, general intangibles, rental agreements, whether written or oral, now or hereafter affecting all or any part of the Property or Borrower's use thereof, and any agreement for the use or occupancy of all or any part of said Property which may have been made heretofore or which may be made hereafter, including any and all extensions, renewals, and modifications of the foregoing and guaranties of the performance or obligations of any tenants thereunder, and all other arrangements of any sort resulting in the payment of a monetary obligation to Borrower or in Borrower becoming entitled to the payment of a monetary obligation for the use of the Property or any part thereof whether such user or occupier is tenant, invitee, or licensee (all of the foregoing hereafter referred to collectively as "Leases" and individually as a "Lease", and said tenants, invitees, and licensees are hereafter referred to collectively as "Tenants" and individually as "Tenant" as the context requires), which Leases cover all or portions of the Property; together with all of Borrower's right, title, and interest in and to all income, rents, issues, royalties, profits, rights and benefits and all Tenants' security and other similar deposits derived with respect to the Leases and with respect to the Property, (hereafter collectively referred to as "Rents and Proceeds"), and the right, without taking possession of the Real Property, to collect the same as they become due and to apply such Rents and Proceeds to the Secured Obligations. It is the intent of Borrower and Lender to establish an absolute transfer and assignment of all of the Leases and the Rents and Proceeds to Lender, and not just create a security interest.

2.2 ASSIGNMENT OF CONTRACTS. In connection with the Loan, Borrower hereby absolutely, presently and irrevocably assigns, grants, transfers, and conveys to Lender, its successors and assigns, all of Borrower's right, title, and interest in, to, and under all franchise agreements, management contracts, production contracts, construction contracts, insurance policies, and other contracts, licenses and permits, whether written or oral, now or hereafter affecting all or any part of the Property or Borrower's use thereof, which may have been made heretofore or which may be made hereafter, including any and all extensions, renewals, and modifications of the foregoing and guaranties of the performance or obligations of any obligors thereunder (all of the foregoing hereafter referred to collectively as the "Contracts" and individually as a "Contract" as the context requires); together with all of Borrower's right, title, and interest in and to all income, issues, royalties, profits, rights and benefits derived with respect to the Contracts and with respect to the Property, and the right to collect the same as they become due. The foregoing assignment encompasses the right of Borrower to (a) terminate any of the Contracts, (b) perform or compel performance and otherwise exercise all remedies under the Contracts, and (c) collect and receive all sums which may become due Borrower

or which Borrower may now or shall hereafter become entitled to demand or claim, under the Contracts.

2.3 DISCLAIMER. Neither the assignments set forth in Sections 2.1 and 2.2 above nor Lender's exercise of its rights thereunder shall: (a) make Lender a "mortgagee-in-possession" or otherwise responsible for the operations of and on the Property; or (b) be construed as Lender's affirmation of any Lease or Contract, Lender's assumption of any obligation or responsibility for the nonperformance by Borrower under any Lease or Contract, or Lender's subordination of the lien of this Mortgage to any such Lease or Contract.

2.4 REPRESENTATIONS, WARRANTIES AND COVENANTS. Borrower hereby represents, warrants, and covenants as follows.

2.4.A. Borrower is the sole holder of the landlord's interest under the Leases, is entitled to receive the Rents and Proceeds from the Leases and from the Property, and has the full right to sell, assign, transfer, and set over the same and to grant to and confer upon Lender the rights, interests, powers, and authorities herein granted and conferred.

2.4.B. Borrower is the sole holder of the Contracts, is entitled to all the benefits of the Contracts, and has the full right to sell, assign, transfer and set over the same and to grant and confer upon Lender the rights, interests, powers, and authorities herein granted and conferred.

2.4.C. Borrower has made no pledge or assignment of the Leases, Rents and Proceeds, or Contracts prior to the date hereof, and Borrower shall not, after the date hereof, make or permit any such pledge or assignment.

2.4.D. Borrower shall provide Lender with a fully-executed original counterpart of each Lease, amendment, modification or alteration thereto. Borrower shall authorize and direct, and does hereby authorize and direct, each and every present and future Tenant of the whole or any part of the Property to pay all rental to Lender from and after the date of receipt of written demand from Lender to do so.

2.5 LICENSE. Although this Mortgage constitutes an absolute, present and current assignment of all Rents and Proceeds, as long as no default or event of default as defined in Section 4.1 below, on the part of Borrower shall have occurred, Lender shall not demand that Rents and Proceeds be paid directly to Lender, and Borrower shall have a license to collect, but not more than one (1) month prior to the due date thereof, all such Rent and Proceeds (including, without limitation, all rental payments under the Leases).

ARTICLE 3

SECURITY AGREEMENT AND FIXTURE FILING

3.1 GRANT. As additional security for the Secured Obligations, Borrower hereby grants to Lender a security interest in and to all Borrower's right, title and interest now owned or hereafter acquired in and to the following property, hereinafter referred to collectively as the "Personal Property":

(a) all fixtures, goods, equipment, apparatus, machinery and other property of the type and nature included within the definition of Improvements and Fixtures in Section A(2) above to the extent, if any, such items are characterized for any purpose as personal property (rather than as improvements and/or fixtures so related to the Land that an interest therein arises under applicable law);

(b) all Water Rights (as defined in Section A(6) above) now or hereafter associated with the Land (to the extent, if any, such rights are not deemed to be interests in real property);

(c) the Rents and Proceeds;

(d) all crops now growing or hereafter grown on the Land, including without limitation harvested crops, farm products, seeds and propagative portions of plants, whether or not stored on the Land;

(e) all crop allotments and rights to crop bases as designated, assigned or approved by the United States Department of Agriculture, the Commodity Credit Corporation, the Farm Service Agency or any other governmental agency or department, whether federal, state or local, and any and all entitlements of Borrower, rights of Borrower (including, without limitation, the right to receive, directly or indirectly, payment whether in cash, such as deficiency payments as provided for in 7 C.F.R. Section 1413, payments in kind, or otherwise) under any contract or program or agreement with the United States Department of Agriculture, the Commodity Credit Corporation, the Farm Service Agency, or any other governmental agency or department (whether federal, state or local), including without limitation under the Conservation Reserve Program, relating to the Property, or the development, ownership, management or operation thereof;

(f) all Leases (as defined in Section 2.1 above) and all Contracts (as defined in Section 2.2 above) and any guaranties thereof;

(g) all causes of action and recoveries now or hereafter existing for any loss or diminution in value of the Real Property or the Personal Property, and all other tangible and intangible property and rights relating to the Real Property or its operations, or to be used in connection with the Real Property, including but not limited to all agreements, licenses, governmental authorizations or permits pertaining to the Real Property or the development, ownership, management or operation thereof;

(h) all proceeds (including, without limitation, insurance proceeds and condemnation awards or compensation) arising out of or incident to the ownership, development of the Real Property or the Personal Property;

(i) all trademarks, service marks, designs, logos, names or similar identifications pertaining to the Real Property or under which the Real Property may be known or operated, whether registered or unregistered, and all rights to carry on business under such names, and any related goodwill associated in any way with the Real Property; and

(i) all additions and accessions to, and substitutions, renewals, replacements, products and proceeds of, the foregoing.

3.2 SECURITY AGREEMENT. This Mortgage is hereby made and declared to be a security agreement encumbering each and every item of Personal Property described in Section 3.1 above in accordance with the Uniform Commercial Code as enacted in the State of Oregon (the "UCC"). At any time and from time to time, a financing statement or statements perfecting the lien of this security agreement as encumbering the Personal Property (or extensions, renewals or amendments thereof) is authorized by Borrower for filing with the Oregon Secretary of State (or such other state where the Borrower shall be subsequently organized (in the case of entities) or reside as their principal residence (in the case of individuals). The security interest granted herein shall attach as soon as Borrower obtains any interest in any of the Personal Property and before the Personal Property becomes fixtures or before the Personal Property is installed or affixed to other collateral for the benefit of Lender under this Mortgage.

3.3 FIXTURE FILING. Some of the items of property described herein are goods that are or are to become fixtures related to the real estate described herein, and it is intended that, as to those goods, this Mortgage and Security Agreement shall be effective as a financing statement recorded as a fixture filing from the date of its recording in the real estate records of the county in which the Land is located. Information concerning the security interest created by this instrument may be obtained from the Lender, as "Secured Party," or Borrower, as "Debtor," at their respective mailing addresses set out in Section 5.5 below.

3.4 REPRESENTATIONS, WARRANTIES AND COVENANTS REGARDING UCC MATTERS. Borrower hereby represents, warrants, and covenants as follows.

(a) Borrower represents and warrants that (a) Borrower's name, identity, and state of organization are precisely as referred to in the first paragraph of this Mortgage, (b) Borrower has been using or operating under said name and identity without change for at least five (5) years; and (c) the location of all tangible Personal Property collateral is upon the Land. Borrower covenants and agrees that Borrower will furnish Lender with notice of any change in the matters addressed by clauses (a) or (b) of this Section 3.4 within thirty (30) days prior to the effective date of any such change. Borrower authorizes Lender, at Borrower's cost, to execute and file any financing statements or other instruments deemed necessary by Lender to prevent any filed financing statement from becoming misleading or losing its perfected status. Borrower shall provide to Lender upon request, certified copies of any searches of UCC records deemed necessary or appropriate by Lender to confirm the first priority status of its security interest in the Personal Property, together with copies of all documents or records reflected therein.

3.5 REPRESENTATIONS, WARRANTIES AND COVENANTS. Borrower hereby represents, warrants, and covenants as follows.

3.5.A. Without the prior written consent of Lender, Borrower will not remove or permit to be removed from the Real Property, any of the Personal Property (other than crops in the ordinary course of business) unless the same is replaced immediately with unencumbered collateral of a quality and value equal or superior to that which it replaces. All such replacements, renewals and additions shall become and be immediately subject to the security interest of this Mortgage and be covered thereby. Borrower warrants and represents that all Personal Property now is, and that all replacements thereof, substitutions therefor or additions thereto will be, free and clear of liens, encumbrances or security interests of others, except as to the Permitted Exceptions.

3.5.B. The security interest held by Lender shall cover cash and non-cash proceeds of the Personal Property, but nothing contained herein shall be construed as authorizing, either expressly or by implication, the sale or other disposition of the Personal Property by Borrower, which sale or other disposition is hereby expressly prohibited without the Lender's prior written consent, other than sales of crops in the ordinary course of Borrower's farming operations. No personal property or business equipment owned by any Tenant (as defined in Section 2.1 above) holding under Borrower is included within this Mortgage, except to the extent any Tenant's personal property or business equipment is subject to a lien securing such Tenant's obligations under its Lease.

3.5.C. All of the Property is and shall be owned by Borrower, and is not and shall not be the subject matter of any lease or other instrument, agreement or transaction whereby the ownership or beneficial interest thereof or therein shall be held by any person or entity other than Borrower, except to the extent Lender consents in writing to any lease of any of such property, which consent may be withheld or delayed in Lender's sole discretion. Borrower shall not create or cause to be created any security interest covering any of the Personal Property, other than (1) the security interest created herein in favor of Lender, (2) the rights of Tenants lawfully occupying the Property pursuant to Leases approved by Lender, or (3) the Permitted Exceptions.

ARTICLE 4

EVENTS OF DEFAULT; REMEDIES

4.1 EVENTS OF DEFAULT. The terms "Default," "default," "Event of Default" or "event of default," wherever used in this Mortgage, shall mean any one or more of the events set forth in the following Sections 4.1.A., 4.1.B. or 4.1.C.

4.1.A. Monetary Defaults. The occurrence of any of the following events:

- (1) the failure by Borrower to pay, or cause to be paid, any installment of principal or interest under the Note or other indebtedness secured by this Mortgage, within ten (10) days from the date when due and payable;
- (2) the failure by Borrower to pay, or cause to be paid, the entire amount of the Secured Obligations upon the maturity of the Loan by acceleration or by lapse of time; or
- (3) the failure by Borrower to pay, or cause to be paid, within three (3) business days of Lender's demand, any other sum that may be due and payable under any of the Loan Documents.

4.1.B. Curable Nonmonetary Default. The occurrence of any of the following and the expiration of one hundred (120) days following written notice to Borrower of the occurrence of any of the following or upon the failure by Borrower to immediately commence the curing thereof and diligently to prosecute such curing to completion within one hundred twenty (120) days (240 days where construction or repair is needed for the cure and the cure cannot be completed in a 120-day period) following receipt of such written notice or if Borrower either ceases to pursue the cure with diligence, fails to provide Lender satisfactory documentation of its cure efforts or repudiates its obligation to effect such a cure:

(1) any representation or warranty of Borrower contained in this Mortgage or in any other Loan Document becomes untrue or misleading in any material respect as of any subsequent time prior to the satisfaction in full of all of the Secured Obligations;

(2) the failure by Borrower duly to observe or perform any other term, covenant, condition or agreement of this Mortgage; or

(3) the entry of any judgment against Borrower if the judgment may materially and adversely affect the value, use or operation of the Property.

4.1.C. Incurable Non-Monetary Default. The occurrence of any of the following events:

(1) any transfer under Section 1.8 above to which Lender has not first consented in writing;

(2) any representation or warranty of Borrower contained in this Mortgage or in any other Loan Document proves to be untrue or misleading in any material respect as of the time made;

(3) the occurrence of any Default, default, event of default or Event of Default under any of the other Loan Documents and the expiration of any applicable cure period set forth in such Loan Documents;

(4) the filing of any federal or state tax lien against the Property which is not discharged and released within thirty (30) days of filing;

(5) the filing by any Borrower, any principal of any Borrower, or any endorser or guarantor of the Note, of a voluntary petition in bankruptcy pursuant to any federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors (hereafter referred to collectively as "**Bankruptcy Law**") or the issuing of an order for relief against any Borrower, any principal of any Borrower or any endorser or guarantor of the Note under any such Bankruptcy Law, or the filing by any Borrower, any principal of any Borrower, or any endorser or guarantor of the Note of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief for itself under any present or future Bankruptcy Law;

(6) the seeking of, consenting to, or acquiescing in, by Borrower, any principal of any Borrower, or any endorser or guarantor of the Note, the appointment of any trustee, custodian, receiver, or liquidator of any such person or of all or any substantial part of the Property or of any or all of the income, rents, revenues, issues, earnings, profits or income thereof or of any other property or assets of such person; or the making by any such person of any general assignment for the benefit of creditors, or the admission in writing by any such person of its inability to pay its debts generally as they become due, or the commission by any such person of any act providing grounds for the entry of an order for relief under any Bankruptcy Law;

(7) the failure to cause the dismissal of any involuntary petition in bankruptcy brought against any Borrower, any principal of Borrower or any endorser or guarantor of the Note within sixty (60) calendar days after the same is filed but in any event prior to the entry of an order, judgment, or decree approving such petition;

(8) the Property is subjected to actual or threatened waste, or all or any part thereof is removed, demolished, or altered without the prior written consent of Lender;

(9) any of Borrower, any principal of Borrower, or any endorser or guarantor of the Note (if a corporation) is liquidated or dissolved or its charter expires or is revoked, or any of Borrower or such endorser or guarantor (if a partnership or business association) is dissolved or partitioned, or any of Borrower or such endorser or guarantor (if a trust) is terminated or expires, or any Borrower or such endorser or guarantor (if an individual) dies;

(10) the filing by any person or entity of any claim in any legal or equitable proceeding challenging the first priority lien of this Mortgage, subject only to the Permitted Exceptions;

(11) the default by Borrower under any other loan secured by a lien on any portion of the Property and the expiration of any applicable notice and/or cure period; or

(12) the filing of any action under any federal or state law, which permits forfeiture of Borrower's interest in the Property, including but not limited to, any indictment under the Racketeer Influence and Corrupt Organization Act of 1970 (RICO).

4.2 **REMEDIES.** Upon and after any Event of Default, Lender shall be entitled to invoke any and all of the rights and remedies described below, and any other remedies available to secured creditors generally. All of such rights and remedies shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies.

4.2.A. Lender, by written notice given to Borrower, may declare the entire principal of the Note then outstanding (if not then due and payable), and all accrued and unpaid interest thereon, all prepayment premiums payable thereunder and all other obligations of Borrower hereunder to be due and payable immediately, and upon any such declaration the principal of the Note and said accrued and unpaid interest and any prepayment premium shall become and be immediately due and payable, anything in the Note or in this Mortgage to the contrary notwithstanding.

4.2.B. Lender personally, or by its agents, attorneys or receiver appointed by the court, may enter, take possession of, manage and operate all or any part of the Property, and in its own name or in the name of Borrower sue for or otherwise collect any and all rents or other proceeds of the Property and may also do any and all other things in connection with those actions that Lender may in its sole discretion consider necessary and appropriate to protect the security of this Mortgage. Such other things may include: insuring or keeping the Property insured, entering into, enforcing, modifying or canceling Leases on such terms and conditions as Lender may consider proper; obtaining and evicting Tenants; fixing or modifying rents; completing any unfinished construction; and contracting for and making repairs and alterations; performing such acts of cultivation or irrigation as necessary to conserve the value of the Property; and preparing for harvest, harvesting and selling any crops that may be growing on the Property. Borrower hereby irrevocably constitutes and appoints Lender as its

attorney-in-fact to perform such acts and execute such documents as Lender in its sole discretion may consider to be appropriate in connection with taking these measures, including endorsement of Borrower's name on any instruments. Borrower agrees to deliver to Lender all books and records pertaining to the Property, including computer-readable memory and any computer hardware or software necessary to access or process such memory, as may reasonably be requested by Lender in order to enable Lender to exercise its rights under this Section. All expenses, including receiver's fees and attorneys' fees, costs and agent's compensation incurred pursuant to this Section shall be payable by Borrower to Lender upon demand and shall be secured by this Mortgage. Anything in this Section 4.2 to the contrary notwithstanding, Lender shall not be obligated to discharge or perform the duties of a landlord to any Tenant or incur any liability as the result of any exercise by Lender of its rights under this Mortgage, and Lender shall be liable to account only for the rents, incomes, issues, profits, and revenues actually received by Lender.

4.2.C. Lender shall have all of the remedies of a secured party under the UCC, and any other applicable Oregon law, including without limitation the right and power to sell, or otherwise dispose of, the Personal Property, or any part thereof. For that purpose Lender may take immediate and exclusive possession of the Personal Property, or any part thereof, and with or without judicial process, enter upon any Land on which the Personal Property, or any part thereof, may be situated and remove the same therefrom without being deemed guilty of trespass and without liability for damages thereby occasioned or, at Lender's option, Borrower shall assemble the Personal Property and make it available to Lender at the place and at the time designated in the demand. Lender shall be entitled to hold, maintain, preserve and prepare the Personal Property for sale. Lender without removal may render the Personal Property unusable and dispose of the Personal Property on the Land. To the extent permitted by law, Borrower expressly waives any notice of sale or other disposition of the Personal Property and any other right or remedy of Lender existing after default hereunder, and to the extent any such notice is required and cannot be waived, Borrower agrees that as it relates to this Section 4.2.C. only, if such notice is marked, postage prepaid, to Borrower at the above address at least ten (10) days before the time of the sale or disposition, such notice shall be deemed commercially reasonable and shall fully satisfy any requirement for giving of said notice.

4.2.D. Notwithstanding anything in Section 4.2.C. above which might otherwise be construed to the contrary, Lender shall have the option of proceeding as to the Real Property and all or some of the Personal Property in accordance with its rights and remedies with respect to the real property in accordance with the unified sale procedures set forth in the UCC.

4.2.E. Lender may bring an action in any court of competent jurisdiction to foreclose this Mortgage or to obtain specific enforcement of any of the covenants or agreements of this Mortgage as to all, or any portion of, the Property, in such order as Lender may determine.

4.2.F. Upon any foreclosure sale, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the Secured Obligations to the purchase price.

4.2.G. Lender may apply to any court of competent jurisdiction for the appointment of a receiver or receivers for the Property and of all the earnings, revenues, rents, issues, profits and income therefrom, ex parte, without notice, and without regard to the sufficiency or value of any security for the Secured Obligations or the solvency of any party bound for its payment, the expenses of which shall be secured by this Mortgage.

4.2.H. Lender may take such steps to (1) protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Note, or in this Mortgage, or (2) aid in the execution of any power herein granted, (3) accomplish any foreclosure hereunder, or (4) enforce any other appropriate legal or equitable remedy or otherwise as Lender shall elect.

4.2.I. No remedy herein conferred upon or reserved to Lender is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by this Mortgage to Lender, or to which either of them may be otherwise entitled, may be exercised from time to time and as often as may be deemed expedient by Lender, and either of them may pursue inconsistent remedies. If there exists additional security for the performance of the Secured Obligations, the holder of the Note, at its sole option and without limiting or affecting any rights or remedies hereunder, may exercise any of the rights and remedies to which it may be entitled hereunder either concurrently with whatever other rights it may have in connection with such other security or in such order as it may determine.

4.3 APPLICATION OF SALE PROCEEDS. In the event of a foreclosure sale of all or any portion of the Property, the proceeds of such sale shall be applied as follows:

(a) first, to the payment of the costs and expenses of such sale, including attorneys' fees and costs, and of any judicial proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by Lender under this Mortgage together with interest at the rate then payable under the Note plus three (300) hundred Basis Points per annum or the maximum rate permitted by any applicable law governing interest rate restrictions, if any maximum is applicable to the subject obligation, whichever is lower, on all advances made by Lender;

(b) second, to the payment of the whole amount then due, owing or unpaid upon the Note or any other Secured Obligations, for principal, interest, prepayment premiums and late charges as stated in the Note or any other Secured Obligations, with interest on the unpaid principal and accrued interest at the rate specified in the Note or any other Secured Obligation;

(c) third, to the payment of any other sums required to be paid by Borrower pursuant to any provisions of this Mortgage, the Note, or any Secured Obligation; and

(d) fourth, the surplus, if any, to whomsoever may be lawfully entitled to receive the same.

4.4 BORROWER AS TENANT AT SUFFERANCE. In the event of any such foreclosure sale, Borrower shall be deemed a tenant at sufferance and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over.

4.5 LEASES. Lender, at its option, is authorized to foreclose this Mortgage subject to the rights of any Tenants of the Property, and the failure to make any such Tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Borrower, a defense to any proceedings instituted by Lender to collect the Secured Obligations.

4.6 WAIVER OF RIGHT TO MARSHALING. Borrower and any person who presently has or subsequently acquires an interest in the Property with actual or constructive notice of this Mortgage, waives any and all rights under applicable or successor statute or common law rule to require a marshaling of assets upon Lender's exercise of its remedies provided by this Mortgage. Lender, in its sole discretion, shall be entitled to determine the order in which the Property or portions thereof shall be subjected to the remedies provided by this Mortgage.

ARTICLE 5

MISCELLANEOUS

5.1 SUCCESSORS AND ASSIGNS. Subject to Section 1.8 above, this Mortgage shall inure to the benefit of and be binding upon Borrower and Lender and their respective legal representatives, successors, and assigns.

5.2 TERMINOLOGY. All personal pronouns used in this Mortgage whether used in the masculine, feminine, or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

5.3 SEVERABILITY. If any provision of this Mortgage or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Mortgage and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

5.4 APPLICABLE LAW. This Mortgage shall be interpreted, construed and enforced with respect to the Property according to the laws of the State of Oregon.

5.5 NOTICES, DEMANDS AND REQUESTS. All notices, demands or requests provided for or permitted to be given pursuant to this Mortgage shall be in writing and shall be delivered in person or sent by registered or certified United States mail, postage prepaid, return receipt requested, or by overnight courier, to the addresses set out below or to such other addresses as are specified by no less than ten (10) days' prior written notice delivered in accordance herewith:

If to Lender:	Transamerica Life Insurance and Annuity Company c/o AEGON USA Realty Advisors, Inc. 4333 Edgewood Road N.E. Cedar Rapids, IA 52499-5443 Attn: Mortgage Loans/Agribusiness Group
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If to Borrower:

Jespersen-Edgewood, Inc.
12944 Swan Lake Road
Klamath Falls, OR 97603

90672

All such notices, demands and requests shall be deemed effectively given and delivered three (3) days after the postmark date of mailing, the day after delivery to the overnight courier or, if delivered personally, when received. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given in accordance with the time period provided herein, shall be deemed to be receipt of the notice, demand, or request sent.

5.6 CONSENTS AND APPROVALS. All approvals and consents hereunder shall be in writing and no approval or consent shall be deemed to have been given hereunder unless evidenced in a writing signed by the party from whom the approval or consent is sought.

5.7 WAIVER. No delay or omission of Lender or of any holder of the Note to exercise any right, power or remedy accruing upon any default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such default, or acquiescence therein; and every right, power and remedy given by this Mortgage to Lender may be exercised from time to time and as often as may be deemed expedient by Lender. The acceptance by Lender of payment of any sum secured by this Mortgage after the due date of such payment shall not be a waiver of Lender's right to require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. No consent or waiver, express or implied, by Lender to or of any breach or default by Borrower in the performance of the obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of the same or any other obligations of Borrower hereunder. Failure on the part of Lender to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Lender of its rights hereunder or impair any rights, powers or remedies consequent on any breach or default by Borrower.

5.8 CERTAIN OBLIGATIONS UNSECURED. Notwithstanding anything to the contrary set forth herein or any of the Loan Documents, this Mortgage shall not secure the following obligations (the "Unsecured Obligations"): (a) any obligations evidenced by or arising under the Environmental Indemnity Agreement; and (b) any other obligations in this Mortgage or in any of the other Loan Documents to the extent that such other obligations relate specifically to the presence on the Property of Hazardous Materials and are the same or have the same effect as any of the obligations evidenced by or arising under the Environmental Indemnity Agreement. Nothing in this Section 5.8 shall, in itself, impair or limit Lender's right to obtain a judgment in accordance with applicable law after foreclosure for any deficiency in recovery of all Secured Obligations following foreclosure.

5.9 JURY TRIAL WAIVER. BORROWER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION OR PROCEEDING BROUGHT BY HOLDER OR ANY OTHER PERSON RELATING TO (I) THIS MORTGAGE, OR (II) ANY OF THE OTHER LOAN DOCUMENTS. BORROWER HEREBY AGREES THAT THIS MORTGAGE CONSTITUTES A WRITTEN CONSENT TO WAIVER OF TRIAL BY JURY, AND BORROWER DOES HEREBY CONSTITUTE AND APPOINT HOLDER ITS TRUE AND LAWFUL ATTORNEY IN FACT, WHICH APPOINTMENT IS COUPLED WITH AN INTEREST, AND BORROWER DOES HEREBY AUTHORIZE AND EMPOWER HOLDER, IN THE NAME,

PLACE AND STEAD OF BORROWER, TO FILE THIS MORTGAGE WITH THE CLERK OR JUDGE OF ANY COURT OF COMPETENT JURISDICTION AS WRITTEN CONSENT TO WAIVER OF TRIAL BY JURY.

5.10 ASSIGNMENT. This Mortgage is assignable by Lender, and any assignment hereof by Lender shall operate to vest in the assignee all rights and powers herein conferred upon and granted to Lender.

5.11 TIME OF THE ESSENCE. Time is of the essence with respect to each and every covenant, agreement, and obligation of Borrower under this Mortgage, the Note and all other Loan Documents.

5.12 ATTORNEYS' FEES.

5.12.A. Borrower shall forthwith pay to Lender the amount of all attorneys' fees and costs incurred by Lender under and pursuant to this Mortgage, the Note, the Loan Documents or any other agreement given to Lender as security for the Note or in connection with any transaction contemplated hereby or thereby, or with respect to the Property or any defense or protection, interpretation or enforcement of Lender's security interest in the Property which Lender believes is necessary or desirable (whether or not Lender files a lawsuit against Borrower and including, without limitation, a judicial foreclosure action or a non-judicial foreclosure proceeding) in the event Lender retains counsel, or incurs costs in order to: obtain legal advice; enforce, or seek to enforce, any of its rights; commence, intervene in, respond to, or defend any action or proceeding; file or prosecute a claim in any action or proceeding (including without limitation, any probate claim, bankruptcy claim, third-party claim, or secured creditor claim); protect, obtain possession of, lease, dispose of or otherwise enforce Borrower's right, title and interest in the Property or any portion thereof; obtain the appointment of a receiver; or represent Lender's interests in any litigation with respect to Borrower's affairs.

5.12.B. Borrower shall and does hereby agree that, if all or a portion of the principal sum of the Note has, prior to the maturity date fixed in the obligation, become due or been declared due by reason of an Event of Default, the entire amount then due under the terms of this Mortgage and the Note shall include all attorneys' fees and costs and expenses which are actually incurred as stated above.

5.12.C. The meaning of the terms "legal fees" or "attorneys' fees" or any other reference to the fees of attorneys or counsel, wherever used in this Mortgage, shall be deemed to include, without limitation, all legal fees relating to litigation or appeals at any and all levels of courts and administrative tribunals (including any appeal or petition for review or any bankruptcy court action), and allocated costs of in-house counsel.

5.13 COVENANTS RUN WITH THE LAND. All of the grants, covenants, terms, provisions and conditions herein contained shall run with the Land and shall apply to, bind and inure to the benefit of, the successors and assigns of Borrower and Lender.

5.14 RECONVEYANCE. When all the Secured Obligations have been paid in full and no further commitment to extend financing continues, Lender shall execute and deliver to Borrower a release of this Mortgage.

5.15 **CONFLICT WITH COMMITMENT.** In the event of any inconsistency or conflict between this Mortgage and that certain Agricultural Mortgage Loan Application/Commitment between Borrower and AEGON USA Realty Advisors, Inc., dated September 9, 2003 and executed by Borrower on or about September 15, 2003 and as amended on November 4, 2003, the terms of this Mortgage shall prevail.

5.16 **JOINT AND SEVERAL LIABILITY.** If Borrower consist of more than one person or entity, the obligations imposed upon Borrower under this Mortgage shall be joint and several. Married persons executing this Mortgage pledge and mortgage both their community and separate interests in the Property.

5.17 **EXHIBITS.** The following exhibits are attached to this Mortgage and incorporated herein by reference:

Exhibit A - Land
Exhibit B - Equipment and Personal Property
Exhibit C - Water Rights

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE BY LENDER AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY LENDER TO BE ENFORCEABLE.

WARNING: UNLESS YOU (BORROWER) PROVIDE US (LENDER) WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE. YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR CONTRACT OR LOAN BALANCE. IF THE COST IS ADDED TO YOUR CONTRACT OR LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING CONTRACT OR LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.


90675


IN WITNESS WHEREOF, Borrower has executed and delivered this Mortgage as of the date first above written.

Borrower:


JESPERSEN-EDGEWOOD, INC.,
an Oregon corporation


By: 
Leonard K. Jespersen
President

By: 
Lawrence C. Jespersen
Secretary

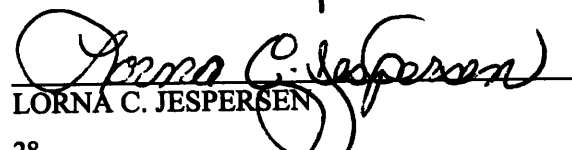

LAWRENCE (A/K/A LARRY) C. JESPERSEN


V. MAUREEN JESPERSEN


LEONARD K. JESPERSEN


VICKY L. JESPERSEN


KENNETH L. JESPERSEN


LORNA C. JESPERSEN

90676

STATE OF OREGON
COUNTY OF Klamath) ss.

This instrument was acknowledged before me this 9th day of December, 2003, by Leonard K. Jespersen, President of Jespersen-Edgewood, Inc., an Oregon corporation.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

STATE OF OREGON
COUNTY OF Klamath) ss.

This instrument was acknowledged before me this 9th day of December, 2003, by Lawrence C. Jespersen, Secretary of Jespersen-Edgewood, Inc., an Oregon corporation.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

STATE OF OREGON
COUNTY OF Klamath) ss.

This instrument was acknowledged before me this 9th day of December, 2003, by Lawrence (aka Larry) C. Jespersen.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

90677

STATE OF OREGON)
COUNTY OF Klamath)ss.

This instrument was acknowledged before me this 9th day of December, 2003, by V. Maureen Jespersen.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

STATE OF OREGON)
COUNTY OF Klamath)ss.

This instrument was acknowledged before me this 9th day of December, 2003, by Leonard K. Jespersen.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

STATE OF OREGON)
COUNTY OF Klamath)ss.

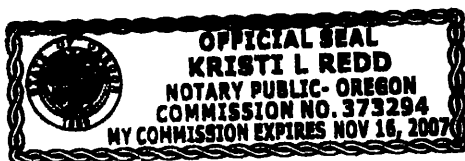
This instrument was acknowledged before me this 9th day of December, 2003, by Vicky L. Jespersen.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

STATE OF OREGON)
COUNTY OF Klamath)ss.

This instrument was acknowledged before me this 9th day of December, 2003, by Kenneth L. Jespersen.



Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

90678

STATE OF OREGON

COUNTY OF Klamath } ss.

This instrument was acknowledged before me this 9th day of December, 2003, by
Lorna C. Jespersen.

Kristi L. Redd
Notary Public
My commission expires: 11/16/2007
Commission No.: 373294

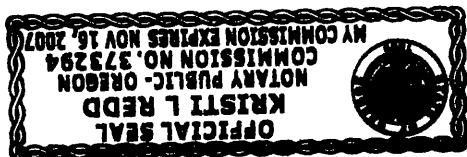


EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1

The NE1/4 of Section 32, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 2

The S1/2 NE1/4 and SE1/4 of Section 21 and S1/2 NW1/4 and SW1/4 of Section 22, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 3

The NW1/4 of Section 28, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 4

The NE1/4 NE1/4 of Section 19, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 5

The E1/2 NE1/4 and the E1/2 W1/2 NE1/4 and that portion of the SE1/4 lying Easterly of Edgewood Lane in Section 18, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 6

The E1/2 SE1/4 NE1/4 Section 7, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 7

The W1/2 and SE1/4 and W1/2 W1/2 SW1/4 NE1/4 of Section 8; SW1/4, W1/2 SE1/4 and NE1/4 SE1/4, Section 9; SW1/4, S1/2 SE1/4 and NW1/4 SE1/4, Section 15; all of Sections 16 and 17; E1/2 and N1/2 NW1/4, Section 20; W1/2 and N1/2 NE1/4, Section 21; E1/2 and N1/2 NW1/4, Section 22; W1/2 and W1/2 SE1/4, Section 23; W1/2 and W1/2 E1/2, Section 26; E1/2 and NW1/4, Section 27; SW1/4, Section 28, SE1/4, Section 29; NE1/4 NE1/4, Section 34; N1/2 NW1/4 and NW1/4 NE1/4, Section 35, all in Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 8

90680

The SW1/4 SE1/4 of Section 5; N1/2 NE1/4, SE1/4 NE1/4 and that portion of the SW1/4 NE1/4 and the NE1/4 SE1/4 of Section 8 lying East of Swan Lake Road; and the S1/2 NW1/4 and that portion of the SW1/4 of Section 9, lying East of Swan Lake Road, all being in Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, Excepting therefrom the following described tract: Beginning at a point 50 links due East from a point on the Section line 20 chains South of the Northwest corner of SW1/4 of Section 9, Township 38 South, Range 10 East of the Willamette Meridian; run thence, due East 6.50 chains; thence North 1.75 chains; thence East 5 chains; thence South 4 chains; thence West 5 chains; thence North 1.75 chains; thence West 6.50 chains; thence North .50 chains to the point of beginning.

PARCEL 9

A parcel of land situated in Section 9, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point 50 links due East from a point on the Section line 20 chains South of the Northwest corner of the SW1/4 of Section 9, Township 38 South, Range 10 East of the Willamette Meridian; run thence, due East 6.50 chains; thence North 1.75 chains; thence East 5 chains; thence South 4 chains; thence West 5 chains; thence North 1.75 chains; thence West 6.50 chains; thence North .50 chains to the point of beginning.

PARCEL 10

The SE1/4 SE1/4 of Section 5, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 11

The S1/2 SW1/4 of Section 4 and the N1/2 NW1/4 of Section 9, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 12

The NE 1/4 of Section 28 and the NE1/4 of Section 29, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 13

The SW1/4 of Section 27, and the SE1/4 of Section 28, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

TOGETHER WITH an easement for ingress and egress over the Westerly 30 feet of the NE1/4 of Section 28, Township 37 South, Range 10 East, Willamette Meridian, Klamath County, Oregon, as granted by instrument recorded April 27, 1994 in Volume M94, Page 12606, Microfilm Records of Klamath County, Oregon.

**EXHIBIT B
TO
MORTGAGE**

90681

Jespersen - Edgewood

Irrigation Equipment

Pivots / Wheel lines

Location	Location Number	Make	Model / Type	Description	Serial or other
Little Golden	1	Valley	Pivot	6 Tower	
Barley Circle	2	Waderain	Pivot	8 Tower	Model # 1000 Serial #18480, Panel Hrs 2557
2000 Footer	3	Valley	Pivot	16 Tower	Model # 4271 Serial #20730,
Wheat Circle	4	Valley	Pivot	8 Tower	Model # 1280 Serial #11959
Little Lockwood	5	Lockwood	Pivot	8 Tower w/End Gun	
Cove by the Well	6	Valley	Pivot	10 Tower	Panel Hrs 12143
Big Lockwood	7	Lockwood	Pivot	19 Tower	
Coleman	8	Valley	Pivot	18 Tower	
Little Pivot by the Lake	9	Valley	Pivot	4 Tower	
Cove by the Lake	10	Valley	Pivot	13 Tower w/End Gun	Model # 4871 Serial #38858, Panel Hrs 37457
Big Lake	11	Valley	Pivot	22 Tower	
Styles	12	Valley	Pivot	7 Tower	Panel Hrs 4580
Little Valley	13	Valley	Pivot	7 Tower	
Little Mena	14	Valley	Pivot	7 Tower	
Hill Pivot	15	Valley/Waderain	Pivot	8 Tower	
Christmas Valley	16	Valley	Pivot	10 Tower	
Marshal	17	Valley	Pivot	10 Tower	Model # 4071, Serial #23392, Panel Hrs 11828
Little Underwood	18	Valley	Pivot	6 Tower	
Big Underwood	19	Lockwood	Pivot	19 Tower	Panel Hrs #8903
Zimatic	20	Zimatic	Pivot	19 Tower	
Wheel line Underwood		Western	Wheel lines	2 - 1/4 mile wheel lines	
Golden Wheel lines		Western / Waderains	Wheel lines	2- Western 1/4 mile; 2 - Waderain 1/4 mile	
Old Wheel line at the Golden		Older Make(s)	Wheel line	1250 foot wheel line	
The 30		Western	Wheel line	1/4 mile wheel line	
Wheel Line by the Cove		Western	Wheel line	2-Wheel Lines, (1-1,200 foot & 1-900 foot)	
Big Lake Wheel Line		Western	Wheel line	1-1,800 foot wheel line	

Location	Location Number	Make	Horse Power	Model	Serial	Pump Data
Turbines:						
Big Underwood		US Motor	100	504-5	958634	Turbine
Little Underwood		Newman	75	3851PDD31E2PB		Turbine
Golden-Well		US Motor	75		959842	Turbine
100 HP by the Driveway		US Motor	100	504-5	916338	Peerless Turbine
Aspen		Newman	150	S135780		Turbine
Wilson		Newman	150	4441PH/DD3782PB	S1211802	Peabody/Floway
Cove		US Motor	75	Unknown		Peerless J38187
Lake Well		US Electric HIThrust	150	4441PWPI	R-6375-06-111 R2145571M	
Drainage Pump		Chisafelli	40		1642	

Centrifugals at Booster Locations:

The 30		US Electric	30		RR41800170	Berkley
Little Pivot by the Lake		Baldor	7.5		373197Y31	Berkley V10348
Cove by the Lake		Baldor	40		40H026V952Y2	Cornell 12788Y
Big Underwood		Baldor	40	4011021035H2		Cornell 128932
Big Underwood Wheel lines		GE	40	286TCZ		Cornell
Marshal		GE	40	288GCZ		Cornell 30816
Mena		GE	40	52K286JL	286JP	
Zimatic		Replacement-Unknown	40	Unknown		Cornell 29193
Big Lockwood		Unknown	150	Unknown		Pacific
2000 Footer		Marathon	100		FA90801	Cornell 22133
Barley Circle		GE	60		BK6093001	Cornell 46039
Wheat Circle		GE	75		GS294008	Pacific KS62398
Aspen		Century	20	254102		Berkley
Wheel lines by Little Golden		GE	50			Cornell
Little Lockwood		Baldor	10	37C539Y514H2		Cornell
Cove by the Well		Baldor	50		BH8092042	Cornell 1519
Booster at Cove by the Well		GE	10	37C539Y514H2		Cornell 1293831
Golden		GE	50	5K3245158A	3241TCZ	
Big Lake		GE	150		AN052039	Cornell 22811
Styles		Westinghouse	25	ABDP 324-US	14V2169	
Coleman		Baldor	60	145028X101H2		Cornell
Little Valley		GE	40			Cornell 33542
Hill Pivot		Unknown	50	6325053-01		
Christmas Valley		US Motor	50		Unknown	Cornell 21455
Lake Field		US Electric	40	#0531000		Berkley

EXHIBIT C
TO
MORTGAGE

90682

Jespersen-Edgewood, Inc
Water Rights Breakdown
7,649.99 Acres - Klamath County, Oregon

Section	Source	Amount (CFS)	Primary Water Right Acres	Supplemental Water Right Acres	Priority Date	Application Number	Permit Number	Certificate Number	Permittee Name
T.37 S., R.10 E.									
8	Edgewood Creek	15.725 cfs	130.80		1873-1907			20689	Albert R. Devincenzi
9	"	"	5.00		"			"	"
16	"	"	173.00		"			"	"
17	"	"	319.30		"			"	"
18	Well	1.26 cfs	67.90		1971	G 5538	G5422	46409	Paul T. Golden
19	"	(3 AF / Year)	32.60		"			"	"
15	Three Wells	15.4 cfs	30.00		1977	G 7873	G7293		Jespersen Edgewood, Inc.
17	"	"	29.00		"	"	"	"	"
21	"	"	98.00		"	"	"	"	"
22	"	"	325.00		"	"	"	"	"
23	"	"	300.00		"	"	"	"	"
28	"	"	300.00		"	"	"	"	"
29	"	"	150.00		"	"	"	"	"
21	Two Wells	14 cfs	240.00		1982	G 10135	G10952		Jespersen Edgewood, Inc.
22	"	"	240.00		"	"	"	"	"
27	"	"	180.00		"	"	"	"	"
28	"	"	180.00		"	"	"	"	"
29	"	"	180.00		"	"	"	"	"
32	"	"	180.00		"	"	"	"	"
21	Two Wells	14.04 cfs		240.00	2003	G 15947			Jespersen Edgewood, Inc.
22	"	"		240.00	"	"	"	"	"
27	"	"		180.00	"	"	"	"	"
28	"	"		180.00	"	"	"	"	"
29	"	"		180.00	"	"	"	"	"
32	"	"		180.00	"	"	"	"	"
8	Un-named Stream & Helene Creek	2 cfs	180.00		1924	S 9860	S8602	6131	WM R/Myrtle Coyne
27	Swan Lake & Drain D	4 cfs	180.00		1971	S 48241	S36225		Dorothy Collman
28	"	"	180.00		"	"	"	"	"
8	Two Wells	15.5 cfs		38.80	1951	U 453	U486	29530	Albert R. Devincenzi
9	"	"	96.00	5.00	"	"	"	"	"
15	"	"	88.40	"	"	"	"	"	"
16	"	"	87.40	173.00	"	"	"	"	"
17	"	"	209.60	319.30	"	"	"	"	"
20	"	"	394.70	"	"	"	"	"	"
21	"	"	215.10	"	"	"	"	"	"
22	"	"	67.90	"	"	"	"	"	"
17	Marengo Well	.96 cfs	2.00		1952	U 501	U585	30572	Marlo Marengo
18	"	"	74.80		"	"	"	"	"
T.38 S., R.10 E.									
5	Well	.5 cfs	40.00		1966	G 3428	G3214	38085	Delbert/Sam Dehlinger
4	Well	6.684 cfs	80.00		1979	G 9339	G8625		Curtis T. Underwood
5	"	"		80.00	"	"	"	"	"
8	"	"		215.00	"	"	"	"	"
9	"	"	80.00	180.00	"	"	"	"	"
5	Well	4.26 cfs	40.00		1951	U 440	U411	24678	Felbert O Rodgers/George R. Stacy
8	"	"	155.00		"	"	"	"	"
9	"	"	220.00		"	"	"	"	"
Total Acres			5,401.50	2,111.10					

** Application G 15947 was prepared due to the water rights office error in cancellation of the 1977 permit G7293. The water rights office realized the error (see file report) and re-instated the right. This application will probably not go to a permit and has all been classified as supplementary water rights as it is the same lands as permit G7293.

*** Permit G8625 outlines primary irrigation acres, however, the description outlines identical irrigation as Certificate 38085 & 24678 so an estimation of these acres were deemed supplementary

Note: Certificate 67584 was developed by Jespersen in 1981 for 252.2 acres in the west 1/2's of Sections 20 & 29, T37S, R10E and then the property was sold to Jeld-Wen. Water is appropriated via the Jespersen wells (Aspen and 100 Horse Wells) and delivered via ditch through Jespersen's deeded lands to Jeld-Wen in sections 20 & 29.