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State of Oregon, County of Klamath
Recorded 09/02/04 3:49 p m
Vol M04 Pg 59028-31
Linda Smith, County Clerk
Fee \$ 36⁰⁰ # of Pgs 4

After recording return to: FCS – Klamath Falls
P.O. Box 148
Klamath Falls, OR 97601

ASSIGNMENT AND PLEDGE AGREEMENT – NOTE AND TRUST DEED

THIS ASSIGNMENT AND PLEDGE AGREEMENT dated 9-2-04 given by CIRCLE FIVE RANCH, INC., an Oregon corporation, as pledgor, hereinafter referred to as "Borrower," whose mailing address is 45850 Gerber Road, Bonanza, OR 97623, to NORTHWEST FARM CREDIT SERVICES, FLCA, pledgee, hereinafter referred to as "Lender," whose mailing address is P.O. Box 148, Klamath Falls, OR 97601.

Borrower does hereby assign, pledge, transfer and convey to Lender, its successors and assigns, a security interest and pledge in the following described property, hereinafter called "Collateral":

All present and future rights under that certain Promissory Note from Glen Walter Halvorson and Rebecca Dianne Halvorson, husband and wife, dated August 2, 2004, in the original principal amount of \$612,000.00, together with all rights under the Trust Deed and any amendments thereto, dated August 2, 2004, recorded September 2, 2004, as Instrument No. M04-59021, in Klamath County, Oregon, and affecting property legally described as per attached Exhibit A, and all rights under any other security instruments signed in connection with said note which instruments are hereby assigned to Lender.

This Assignment and Pledge is given to secure:

Payment of the following described note(s) or other instruments of debt executed by Borrower and held by Lender:

<u>Amount of Loan</u>	<u>Date of Note</u>	<u>Maturity Date of Note</u>
\$600,000.00	January 10, 2003	January 1, 2023

The note(s), the security documents and any other document or instrument signed in connection with the note(s) and security documents and any amendments thereto are referred to collectively as the "Loan Documents."

Payment of all extensions, fees, or advances and interest on all indebtedness secured hereby at the interest rate(s) described in the Loan Documents. The interest rate, payment terms or balance due under the Loan Documents may be indexed, adjusted, renewed or renegotiated.

Performance by Borrower of the terms, covenants and conditions of this Assignment and Pledge and the Loan Documents.

BORROWER FURTHER WARRANTIES, COVENANTS AND AGREES AS FOLLOWS:

1. Borrower has good and legal right to assign, pledge, transfer and convey the Collateral and represents that as of the date of this Assignment, the Collateral is transferable and free from prior encumbrances of any kind. Borrower further agrees to keep the Collateral free from all liens, encumbrances, and security interests (other than created herein) and defend it against all claims and legal proceedings by persons other than Lender. Borrower authorizes Lender to file a financing statement (the "Financing Statement") and any continuations thereof describing the Collateral, without further signature by Borrower.

2. Borrower understands that this Assignment and the application of funds pursuant hereto do not in any way reduce or alter Borrower's obligation to repay the debt secured hereby, as the same shall become due and to pay any deficiencies after realization on the Collateral by Lender.

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3. Borrower hereby warrants and agrees that Lender shall retain actual possession of the documented Collateral until all obligations and undertakings of Borrower secured hereby have been fully paid and performed. Upon demand Borrower shall execute, assign, and endorse all proxies, applications, acceptances, stock powers, chattel paper, documents, instruments or other evidences of payment or writing constituting or relating to any of the Collateral and Borrowers shall perform such other acts Lender may request. All assignments and endorsements by Borrower shall be in such form and substance as may be satisfactory to Lender. Where Collateral is in the possession of a third party, Borrower will join with Lender in notifying the third party of Lender's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Lender.

4. In its discretion and without notice to Borrower, Lender may take any one or more of the following actions, without liability except to account for property actually received by it:

- a. Transfer to or register in its name, or in the name of its nominee, any of the Collateral, with or without indication of the security interest herein created, and whether or not so transferred or registered, receive income dividends and other obligations thereon and hold them or apply them to the obligations in any order of priority;
- b. Exercise or cause to be exercised all voting and corporate powers with respect to any of the Collateral so registered or transferred to, including all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to such Collateral, as if the absolute owner thereof;
- c. Insure any of the Collateral;
- d. Exchange any of the Collateral for other property upon a reorganization, recapitalization or other readjustment and, in connection therewith, deposit any of the Collateral with a committee or depository upon such terms as Lender may determine;
- e. In its name or in the name of the Borrower, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse notes, checks, drafts, money orders, documents of title, or other evidence of payment, shipment or storage in the name of Borrower;
- f. Make any compromise or settlement deemed advisable with respect to any of the Collateral;
- g. Renew, extend, or otherwise change the terms and conditions of any of the Collateral or the obligations;
- h. Take or release any other Collateral, security for any of the Collateral or the obligations; and,
- i. Add or release any guarantor, endorser, surety or other party to any of the Collateral or the obligations.

Lender shall be under no duty to exercise or to withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the secured party in this agreement, and shall not be responsible for any failure to do so or to delay in so doing.

5. Time is of the essence. In the event Borrower defaults in the payment of the principal of or interest on any obligation secured hereby, breaches any covenant, warranty or agreement, becomes insolvent or bankrupt, makes an assignment for the benefit of creditors or if a receiver is appointed for any of Borrower's assets or if any of the Collateral is seized under garnishment, levy or attachment, the entire amount of the secured obligations shall at Lender's discretion become immediately due and payable without notice of demand. Lender may exercise from time to time, any rights and remedies available to it under the Uniform Commercial Code and any rights and remedies granted to Lender by the provisions of the Loan Documents.

6. If this agreement or any obligations secured by it is referred to an attorney for collection or realization, Lender shall be entitled to collect reasonable attorney's fees, including fees incurred in trial, appellate or bankruptcy court or without suit, expenses of title search, all court and sheriff's costs, and other legal expenses reasonably incurred in protecting or realizing on the Collateral. Any payment made by Borrower and any sum received by Lender through collection of or realization on the Collateral may be applied as Lender shall elect to any of the secured obligations, whether matured or unmatured.

7. Any delay or failure by Lender in the exercise of any right or remedy described herein or in any loan agreements between Borrower and Lender shall not constitute a waiver thereof, and no exercise by Lender of any right or remedy shall preclude other or further exercises thereof, or the exercise of any other right or remedy.

8. Any notice by Lender to Borrower shall be transmitted to the mailing address of Borrower which is cited above. Ten days from the day in which the notice is sent shall be a reasonable period of notification of sale or other disposition of Collateral by Lender.

9. Borrower agrees to take any action requested by Lender to perfect or continue the lien and priority of the Collateral. Lender may record this agreement or a memorandum thereof.

10. Borrower warrants that Borrower's state of formation is the State of Oregon; and Borrower's exact legal name is as set forth in the first paragraph of this Agreement.

This assignment shall bind and inure to the benefit of the parties hereto, their heirs, legal representatives, successors and assigns.

Date Signed: 9-2-2004

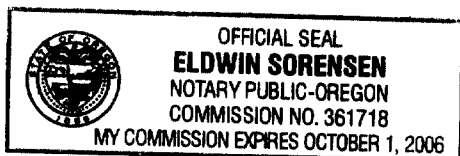
CIRCLE FIVE RANCH, INC.

By: Louis Randall
Louis Randall, President

Attest: Deborah R. Kness-Ochoa
Deborah R. Kness-Ochoa, Secretary

STATE OF Oregon)
)ss.
County of Klamath)

On this 2 day of September, 2004, before me personally appeared Louis Randall and Deborah R. Kness-Ochoa, known to me to be the President and Secretary, respectively, of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as its free act and deed; and each on oath stated that they were authorized to execute said instrument.



Eldwin Sorensen
Notary Public for the State of Oregon
Residing at Klamath Falls, OR
My commission expires 10-1-2006
Printed Name Eldwin Sorensen

EXHIBIT "A"

Township 38 South, Range 15 East of the Willamette Meridian:

Section 31: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 32: S $\frac{1}{2}$ S $\frac{1}{2}$

Section 33: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 34: S $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

Township 39 South, Range 15 East of the Willamette Meridian:

Section 3: Lots 3 and 4 (N $\frac{1}{2}$ NW $\frac{1}{4}$) and the SW $\frac{1}{4}$ NW $\frac{1}{4}$ and W $\frac{1}{2}$ SW $\frac{1}{4}$

Section 4: All

Section 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$

Section 6: SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 9: N $\frac{1}{2}$ NE $\frac{1}{4}$ and NE $\frac{1}{4}$ NW $\frac{1}{4}$