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When Recorded Return to:

Pac Equities, Inc.
250 NW Franklin Ave., Suite 302
Bend, OR 97701

State of Oregon, County of Klamath
Recorded 07/21/05 11:50 a. m
Vol M05 Pg 56092-93
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

1st COS

ASSIGNMENT OF BENEFICIAL INTEREST IN A TRUST DEED

Date: July 19, 2005

PARTIES: Pac Equities, Inc.

("Assignor")

Robert Kelly
P.O. Box 434
Dupont, WA 98327

("Assignee")

RECITALS:

Whereas Assignor holds First Trust Deeds recorded on October 29, 2003, Instrument No. M-03 on page 80323 and September 30, 2004, Instrument No. M-04 on page 57194, records of Klamath County, Oregon, in the property described in "Exhibit A"; and

Whereas this recited Assignment is secured with the portion of the property commonly referred to as **Mixed Use Area**; and specifically described in the legal description attached as Exhibit "A"; and

NOW THEREFORE, AGREEMENT:

For valuable consideration, receipt and sufficiency being hereby acknowledged in the sum of **FORTY THOUSAND DOLLARS (\$40,000.00)** Assignor grants, assigns, transfers and sets over to Assignee a \$40,000.00 partial beneficial interest in Assignors Beneficial interest in the Trust Deeds pertaining only to that property commonly referred to as Mixed Use Area, Klamath County, Oregon.

Assignor further warrants that: 1) Assignor is the lawful holder of the Promissory Notes and Beneficiary of the Trust Deeds and has the right to sell and assign all or a portion of its interest therein; 2) At the date of this Assignment, the Promissory Notes and Trust Deeds are not in default; 3) Assignor is the beneficiary of a title insurance policy insuring the Assignor's Trust Deeds. 4) Assignor has and will maintain possession of the original Promissory Notes, Trust Deeds and title insurance policies; 5) Assignor will take all steps reasonably necessary to maintain hazard insurance as required under the terms of the Trust Deeds with loss payable to Assignor and its successors and assigns. 6) Assignor shall collect all payments due under the Promissory Notes and Trust Deeds and will pay Assignee on the twentieth (20th) of each month as shall be set forth in that certain Secured Note dated July 19, 2005 by Assignor to Assignee. Assignor agrees it will maintain records of all transactions relating to the Promissory Notes and Trust Deeds and shall make those records available to Assignee upon Assignee's reasonable request. 7) Assignee agrees that Assignor shall have the right in its sole discretion, to subordinate the Trust Deeds lien and to reconvey all or a portion of the subject property as Assignor determines reasonably prudent.

Assignor retains the right to make all demands and exercise all rights of the holder and Beneficiary under the terms of the Promissory Notes and Trust Deeds. In the event of a default under the Promissory Notes and Trust Deeds, Assignor has the right to exercise all of the holder and Beneficiary's rights as set forth in the Promissory Notes and Trust Deeds and as allowed by law including foreclosure through judicial or non-judicial means, acquiring title by deed in lieu of foreclosure, re-entry eviction and any other steps reasonably necessary to protect the beneficial interest under the Promissory Notes and Trust Deeds. In the event of a default, Assignor shall be entitled to repayment of all its costs and fees incurred including attorney fees, recording costs, filing fees and title insurance charges prior to any payment to Assignee under this Agreement. In the event the parties acquire fee title to the property through foreclosure and sale or by deed in lieu of foreclosure, the parties shall hold the property as tenants in common according to the above referenced percentage interest and shall be entitled to and responsible for their pro rata share of all income received and expenses incurred in connection with owning, holding, maintaining and selling the property. Assignee agrees and grants to Assignor the right to mortgage or lien the property as security for loan(s) which Assignor reasonably and prudently believes are necessary to maintain or improve the property. This Assignment is not intended to create a partnership or joint venture. The relationship of the parties shall be governed solely by the terms of this Assignment and neither party has the authority to bind the other except as provided under the terms of this Assignment. In the event of a dispute arising out of or relating to this Assignment, the prevailing party shall be entitled to recover its reasonable attorney fees, costs and disbursements including all deposition and expert witness costs whether incurred in relation to trial, arbitration or on appeal. All recitals to this Assignment are part of this Assignment as if fully set forth in the body of this Assignment.

This Assignment is made for security purposes only. This Assignment is made to secure that certain Secured Note, dated July 19, 2005 by Assignor to Assignee, in the principal amount of FORTY THOUSAND AND NO/100 DOLLARS (\$40,000.00) and remedies under this Assignment are conditioned upon default upon that certain Secured Note.

IN WITNESS WHEREOF, the Assignor has caused its name to be signed to this Assignment by a person duly authorized to so act.

PAC EQUITIES, INC.

M. F. Testerman

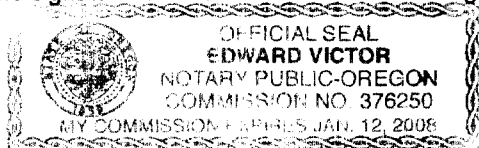
By: Authorized Signature

STATE OF: OREGON)

) ss.

COUNTY OF: DESCHUTES)

On this 19th Day of July, 2005 before me, a Notary Public for Oregon, personally appeared the above named MIKE TESTERMAN personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument and acknowledged to me that the person executed the same as an authorized signer of Assignor and that the signature is the act and deed of the Assignor.



[Signature]
Notary Public for Oregon

My commission expires: 1/12/08

EXHIBIT "A"

56093

LEGAL DESCRIPTION OF: MIXED USE AREA

A parcel of land situated in the SE¼ of Section 36, Township 38 South, Range 8 East, and the NE¼ of Section 1, Township 39 South, Range 9 East, of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the southeast corner of Lot 15, Tract 1416-THE WOODLANDS, Phase 1 ; thence North 63°38'02" East, 79.13 feet; thence South 26°25'25" East, 1336.81 feet, along the westerly boundary line of the Recreation Area description; thence South 63°34'46" West, 118.57 feet; thence South 26°25'19" East, 237.83 feet more or less to the south line of the NE¼NE ¼ of said Section 36; thence North 88°15'01" West, 799.37 feet to a 5/8" iron rod as shown on Record of Survey No. 2901; thence North 89°10'31" West, 516.18 feet to the northerly right-of-way line of Highway 140; thence North 49°35'06" West, 199.25 feet; thence North 58°24'35" West, 381.04 feet; thence leaving said right-of-way line North 35°13'09" East, 958.13 feet to a point on the southwesterly right-of-way line of West Ridge Drive; thence North 57°43'09" East, 50.00 feet to the northeasterly right-of-way of West Ridge Drive and the southwest corner of Lot 8 of said Tract 1416; thence along the exterior boundary of said Tract 1416, North 63°38'02" East, 68.29 feet; thence South 26°21'58" East, 5.00 feet; thence North 63°38'02" East, 65.00 feet; thence North 26°21'58" West, 10.00 feet; thence North 63°38'02" East, 65.01 feet; thence South 26°21'58" East, 5.00 feet; thence North 63°38'02" East, 70.01 feet; thence South 26°21'58" East, 5.00 feet; thence North 63°38'02" East, 65.01 feet; thence North 26°21'58" West, 10.00 feet; thence North 63°38'02" East, 65.01 feet; thence South 26°21'58" East, 5.00 feet; thence North 63°38'02" East, 70.01 feet; thence South 26°21'58" East, 4.93 feet; thence North 63°42'44" East, 52.00 feet; thence North 63°38'02" East a distance of 70.00 feet to the point of beginning. EXCEPTING THEREFROM, that portion of West Ridge Drive lying within the above described parcel. Containing 34.19 acres more or less, with bearings based on Tract 1416-THE WOODLANDS-Phase 1.