

NOTICE OF DEFAULT AND FORFEITURE
(Pursuant to ORS Sections 93.905 thru 93.945)

Seller under the Contract described below declares
Purchaser is in default for the reasons set forth herein.

1. DESCRIPTION OF CONTRACT:

- (A) PURCHASER: CARTER AIR BALANCE, INC. and
JEFFREY AND TAMI CARTER, as
Guarantors
- (B) SELLER: DANIEL LEE SMITH
- (C) MEMORANDUM OF CONTRACT RECORDED: May 16, 1988 at
M88 Page 7584 et seq.
Klamath County Records.
- (D) AMOUNT AND TERMS OF CONTRACT:

Purchase price of \$200,000, on which the sum of
\$50,000 was paid at closing, and the balance of
\$150,000 to be payable in equal annual payments of
\$18,720.00, including interest at 10 percent per
annum from May 13, 1988, the first annual payment
due on May 13, 1989, with a like payment the same
day of each year thereafter; the entire balance,
both principal and interest, shall be paid in full
on or before May 13, 1998.

- (E) PROPERTY COVERED BY CONTRACT: See Attached Exhibit "A."

2. NATURE AND AMOUNT OF DEFAULT: Failure to pay:

(A) The regular yearly payment due May 13, 1990, in the
amount of \$18,720.00, plus accrued interest at the rate
of 10 percent per annum from May 19, 1989.

(B) Real property taxes for 1988-89 in the amount of
\$2,150.01 plus interest and 1989-90 in the amount
of \$2,504.84, plus interest. Taxes for the fiscal year
1990-91 are a lien, due and payable in November, 1990.

3. SUM OWING ON OBLIGATION: Principal balance of \$146,526.58
plus interest at 10 percent per annum from May 19, 1989.

4. DATE AFTER WHICH CONTRACT FORFEITED IF DEFAULT NOT CURED:
Unless the default is cured as set forth in Paragraph 5
of this Notice, the Purchaser and all persons claiming
through the Purchaser shall have no further rights in the
contract or the property and no person shall have any
right to redeem the property; and all sums previously
paid under the contract by or on behalf of the Purchaser

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shall belong to and be retained by the Seller or other person to whom paid.

5. CURE OF DEFAULT TO AVOID FORFEITURE: Notice is given that forfeiture may be avoided under the Contract by curing the default(s) by payment of the entire amount due, other than such portion of principal as would not then be due had no default occurred, and tendering performance of other obligations in default, together with costs and expenses actually incurred in enforcing the contract on or before January 4, 1991.

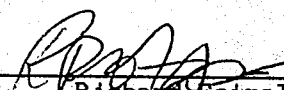
(The period specified shall be not less than 60 days, when the purchaser has reduced the unpaid balance to an amount greater than 75 percent of the purchase price, 90 days when the purchaser has reduced the unpaid balance to an amount which is more than 50 percent but less than 75 percent of the purchase price or 120 days when the purchaser has reduced the unpaid balance to an amount which is 50 percent or less of the purchase price.)

6. NAME AND ADDRESS OF SELLER'S ATTORNEY:

Richard Fairclo,
PROCTOR & FAIRCLO
280 Main Street
Klamath Falls, OR 97601

A copy of this Notice, together with an Affidavit of Mailing shall be recorded.

To be sent by both first class and certified mail with return receipt requested at the last known address or served pursuant to ORCP 7D (2) and 7D (3) to be sent to the purchaser, occupant of the property, any person who has filed of record the request for notice of default, and others shown in title report.

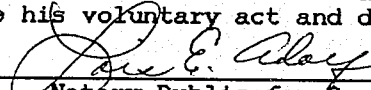

Richard Fairclo
Attorney for Seller

STATE OF OREGON

ss.

County of Klamath

On this 19th day of September, 1990, personally appeared before me the above-named RICHARD FAIRCLO and acknowledged the above to be his voluntary act and deed.


Notary Public for Oregon
My Commission expires: 8/3/94

NOTICE OF DEFAULT
AND FORFEITURE
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PROCTOR & FAIRCLO
ATTORNEYS AT LAW
280 MAIN STREET
KLAMATH FALLS, OREGON 97601

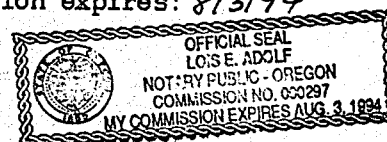


EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1

Township 35 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Section 31: S1/2 S1/2 N1/2 NE1/4, S1/2 NE1/4, SE1/4 and that portion of the S1/2 N1/2 SE1/4 NW1/4, S1/2 SE1/4 NW1/4, N1/2 SW1/4 and the SE1/4 SW1/4 lying East of the Sprague River.

Section 32: That portion of the S1/2 SW1/4 lying West of the Sprague River.

Township 36 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Section 5: Lot 4, SW1/4 NW1/4 and that portion of Lot 3 and the SE1/4 NW1/4 lying West of Sprague River

Section 6: Lots 1 and 2, S1/2 NE1/4

Tax Account No.: 3510 00000 01700
 3510 00000 01800
 3510 00000 02100
 3510 00000 02200
 3510 00000 02300
 3510 00000 02400
 3610 00000 01000
 3610 00600 00100

PARCEL 2

Township 36 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Section 6: That portion of Lot 3, SE1/4 NW1/4 and the NE1/4 SW1/4 lying East of the Sprague River

Tax Account No.: 3610 00600 00200

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Proctor & Fairclo the 19th day
 of Sept. A.D. 19 90 at 12:02 o'clock P.M., and duly recorded in Vol. M90,
 of Mortgages on Page 18817.

Evelyn Biehn - County Clerk
 By Debrae Millendore

FEE \$18.00