

NOTICE OF DEFAULT OF LAND SALE CONTRACT

TO: Scott and Donna Reed; Donald Edward and Muriel Anetta Johnson; William W. Youngman; John E. and Deborah A. Johnson; South Valley State Bank, c/o Andrew C. Brandsness; Esq.; Carter-Jones Collection Service, Inc., c/o Kent Pederson; Surfside Volkswagen, Inc., aka Surfside Volkswagen-Audi, Inc., dba Surfside Motors, c/o Gordon MacPherson; and Neal G. Buchanan, Esq.

Reference is made to that certain contract for the sale of real estate ("Contract"), dated July 9, 1979, between Donald L. Johnson and Muriel Annette Johnson, as seller, and Scott A. Reed and Donna M. Reed, as buyer, which Contract is recorded in the Miscellaneous Records of Klamath County, Oregon, in Book M79, at Page 22766. The undersigned, United Pacific Insurance Company, by way of an assignment of the seller's interest dated February 23, 1981, which is recorded in the Miscellaneous Records of Klamath County, Oregon, in Book M81, at Page 3686, has been adjudged the Priority Security Interest Holder of the Contract (See Judgment of Foreclosure, United Pacific Insurance Company v. Donald E. Johnson, et al., Case No. 92-00650CV, Circuit Court for the County of Klamath). The Contract concerns the following described real property situated in said county and state, to wit:

A parcel of land situated in the SW1/4 of Section 34, T39S R9E, W.M., more particularly described as follows:

Beginning at a point on the North right of way line of Midland Road from which the South West corner of said Section 34 bears the following two bearings and distances: S89°54'58"W 117.00 feet, S00°10'55"E 30.00 feet; thence from said point of beginning N89°54'58"E along the North right of way of said Midland Road 203.00 feet; thence N00°10'55"W 429.16 feet to a 5/8" iron pin; thence S89°54'58"W 203.00 feet to a 5/8" iron pin; thence S00°10'55"E 429.16 feet to the point of beginning, containing 2.00 acres more or less.

The undersigned hereby certifies that it is the Priority Security Interest Holder under the Contract; further, that no action has been instituted to recover the debt, or any part thereof, now remaining secured by this Contract, or, if such action has been instituted, such action has been dismissed.

There is a default by the buyer or other person owing an obligation, the performance of which is secured by said Contract, or by their successor in interest, with respect to provisions therein which authorized foreclosure and forfeiture in the event

of default of such provision; the default for which foreclosure is made is buyer's failure to pay when due the following sums: scheduled payment under the Contract of \$438.79 per month from December 31, 1986 to the present.

By reason of said default, the undersigned has declared all sums owing on the obligations secured by said Contract immediately due and payable, said sums being the following, to wit:

Original Amount Due Under Contract:	\$50,000.00
Payment Terms Under Contract:	438.79 Per Month
Last Payment Made Under Contract:	12/31/86
Outstanding Balance of Principal:	48,835.00
Amount of Default (Plus Interest	48,835.00 (Plus Interest
	at 10% Per Annum)
Percentage of Unpaid Balance:	98%

Notice is hereby given that the undersigned, as assignee under the Contract and Priority Security Interest Holder, by reason of said default, has elected and does hereby elect to enforce the remedy of forfeiture pursuant to Oregon Revised Statute Sections 93.905 et al.

Notice is further given that any person named in Section 93.920 of Oregon Revised Statutes has the right, at any time prior to 61 days before the undersigned date, to cure said default by payment to United Pacific Insurance Company of the entire amount due and by curing any other default complained of herein that is capable of being cured by tendering the performance required under the Contract and, in addition to paying said sums or tendering the performance necessary to cure the default, by paying all costs and expenses actually incurred by enforcing the Contract, together with attorney's fees not exceeding the amounts provided by Section 93.920 of Oregon Revised Statutes.

In construing this notice, the masculine gender includes the feminine and the neuter, the singular includes the plural, the word "buyer" includes any successor in interest to the buyer, as

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well as any other person owing an obligation, the performance of which is secured by said Contract.

DATED this 3 day of November, 1992.

STAFFORD FREY COOPER & STEWART

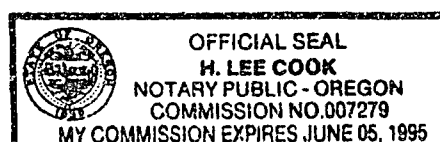
By: [Signature]

Thomas A. Larkin, OSB #92362
STAFFORD FREY COOPER & STEWART
One S.W. Columbia, Suite 1700
Portland, Oregon 97258
Of Attorneys for United Pacific
Insurance Company

STATE OF OREGON)

County of Multnomah) s.s.

SUBSCRIBED AND SWORN to before me this 3rd day of November, 1992.



[Signature]
Notary Public of Oregon

My Commission Expires: 6/5/95

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CERTIFICATE OF SERVICE

1
2 I hereby certify that I served the foregoing NOTICE OF
3 DEFAULT OF LAND SALE CONTRACT on the following persons and
4 attorneys of record on the 3 day of November, 1992, by
5 mailing via certified mail, return receipt requested, and 1st
6 Class mail to said person(s) and attorneys correct and true
7 copies thereof, contained in sealed envelopes, with postage
8 prepaid, addressed to said person(s) and attorneys at their
9 last known addresses, to wit:

10 Scott Reed
11 Donna Reed
12 2633 Old Midland Road
13 Klamath Falls, Oregon 97601

14 Donald Edward Johnson
15 Muriel Anetta Johnson
16 Don E. Johnson Construction, Inc.
17 2633 Old Midland Road
18 Klamath Falls, Oregon 97601

19 William W. Youngman
20 Assistant U.S. Attorney
21 U.S. Department of Justice
22 888 S.W. 5th Avenue, Suite 1000
23 Portland, Oregon 97204-2024

24 John E. Johnson
25 Deborah A. Johnson
26 10727 Washburn Way
Klamath Falls, Oregon 97603

South Valley State Bank
c/o Andrew C. Brandsness, Esq.
Brandsness & Brandsness, P.C.
411 Pine Street
Klamath Falls, Oregon 97601

Carter-Jones Collection Service, Inc.
c/o Kent Pederson
1143 Pine Street
Klamath Falls, Oregon 97603

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1 - CERTIFICATE OF SERVICE

STAFFORD FREY COOPER & STEWART

ATTORNEYS
1700 BENJAMIN FRANKLIN PLAZA
ONE S.W. COLUMBIA
PORTLAND, OREGON 97258-2097
(503) 221-0699

26664

1 Surfside Volkswagen, Inc., aka
2 Surfside Volkswagen, Inc., dba
3 Surfside Motors
4 c/o Gordon MacPherson
5 423 North Coast Highway
6 Newport, Oregon 97365

7 Neal G. Buchanan, Esq.
8 First Interstate Bank Bldg.
9 601 Main Street, Suite 215
10 Klamath Falls, Oregon 97601-6007

11 and deposited in the post office at Portland, Oregon, on said
12 day.

13 STAFFORD FREY COOPER & STEWART

14 By:

15 Thomas A. Larkin, OSB #92362
16 STAFFORD FREY COOPER & STEWART
17 One S.W. Columbia, Suite 1700
Portland, Oregon 97258
Of Attorneys for United Pacific
Insurance Company

RETURN:

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20 STATE OF OREGON: COUNTY OF KLAMATH: ss.

21 Filed for record at request of _____ the _____ day
22 of _____ Nov. _____ A.D., 19 92 at 11:40 o'clock _____ A.M., and duly recorded in Vol. _____ M92
23 of _____ Deeds _____ on Page 26660.

24 FEE \$50.00

25 Evelyn Biehn - County Clerk

26 By Debra M. Mulholland

27 2 - CERTIFICATE OF SERVICE

STAFFORD FREY COOPER & STEWART

ATTORNEYS
1700 BENJAMIN FRANKLIN PLAZA
ONE S.W. COLUMBIA
PORTLAND, OREGON 97258-2097
(503) 221-6666