

NOTICE OF DEFAULT AND ELECTION TO SELL

NOTICE is hereby given that the obligation secured by the Trust Deed described below is in default, and that the beneficiary has elected to foreclose the Trust Deed pursuant to ORS 86.705 to 86.795. No action is now pending to recover any part of the debt secured by the Trust Deed.

Information required by ORS 86.735 and ORS 86.745 is as follows:

1. Grantor: Zoran Katz and Dragica Katz
 Trustee: Aspen Title & Escrow, Inc.
 Successor Trustee: Joseph E. Kellerman
 Beneficiary: Cecil Halstead and Bernice M. Halstead, husband and wife
2. Property covered by the Trust Deed:

 Lots 1, 2, 3, 4 and 5, Block 96, KLAMATH ADDITION TO THE
 CITY OF KLAMATH FALLS, in the County of Klamath, State of
 Oregon.

 Code 1, MAP 3809-32AD PL 5100.
3. Trust Deed was recorded on December 7th, 1998, Volume M98, Page 44711,
 Official Records, Klamath County, Oregon.
4. Default for which foreclosure is made is the Grantor's failure to make payment
 in full in the amount of \$1,984.71 per month from January 2001, and each month
 thereafter, plus late charges in the amount of \$99.24 for each missed payment,
 plus failure to pay real property taxes for 1999-2000 and 2000-2001, plus failure
 to provide required proof of insurance.
5. The sum owing on the obligation secured by the Trust Deed is: \$182,813.89 as
 of July 19, 2001, plus interest at the rate of 13.5%, plus late fees for the month of
 January 2001, and each month thereafter.
6. The Beneficiary has and does elect to sell the property to satisfy the obligation.
7. The property will be sold in the manner prescribed by law on February 28, 2002,
 at 10:30 a.m., standard time as established by ORS 187.110, at the front steps of
 the Klamath County Courthouse, 316 Main Street, Klamath Falls, Klamath
 County, Oregon.

8. Interested persons are notified of the right under ORS 86.753 to have this proceeding dismissed and the Trust Deed reinstated by payment of the entire amount then due, other than such portion as would not then be due had no default occurred, together with costs, trustee and attorney's fees, and by curing any other default complained of in this Notice, at any time prior to five days before the date last set for sale.
9. In construing this notice and whenever the context hereof so requires, the singular includes the plural, the word "grantor" includes any successor in interest to the grantor as well as any other person owing an obligation, the performance of which is secured by said Trust Deed, and their successors in interest, the word "trustee" includes any successor trustee and the word "beneficiary" includes any successor in interest of the beneficiary named in the Trust Deed, and any collateral beneficiary, and their successors in interest.

DATED this 1st day of October, 2001.

HORNECKER, COWLING, HASSEN
& HEYSELL, L.L.P.

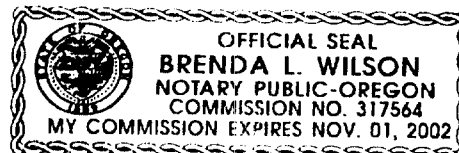
By: Joseph E. Kellerman, Successor Trustee

STATE OF OREGON)
) ss.
County of Jackson)

On this 1st day of October, 2001, personally appeared before me Joseph E. Kellerman, as Successor Trustee, and acknowledged said instrument to be his voluntary act and deed.

Brenda L. Wilson
Notary Public for Oregon

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NOTICE OF DEFAULT AND ELECTION TO SELL - 1

Re: Hornecker, Cowling, Hassen & Heyssel
Attn: Joseph Kellerman
717 Murphy Road
Medford, OR

State of Oregon, County of Klamath
Recorded 10/03/01 at 8:40a m.
In Vol. M01 Page 50543
Linda Smith,
County Clerk Fee\$ 26⁰⁰