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TRUSTEE'S NOTICE OF DEFAULT AND ELECTION TO SELL  
UNDER TERMS OF TRUST DEED

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The Trustee under the terms of the Trust Deed described herein, at the direction of the Beneficiary, hereby elects to sell the property described in the Trust Deed to satisfy the obligations secured thereby. Pursuant to ORS 86.745, the following information is provided:

1. PARTIES:

Grantor: STEVEN E. GELHARDT and JUDY C. GELHARDT  
Trustee: PACIFIC CASCADES FINANCIAL, INC.  
Successor Trustee: MICHAEL C. AROLA  
Beneficiary: KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION

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2. DESCRIPTION OF PROPERTY: The real property is described as follows:

See attached Exhibit A

3. RECORDING. The Trust Deed was recorded as follows:

Date Recorded: December 13, 1993  
Volume M93, Page 33030  
Official Records of Klamath County, Oregon

4. DEFAULT. The Grantor or any other person obligated on the Trust Deed and Promissory Note secured thereby is in default and the Beneficiary seeks to foreclose the Trust Deed for failure to pay: Monthly payments in the amount of \$739.00 each, due the twenty-fifth of each month, for the months of May through July 2001; plus late charges and advances; plus any unpaid real property taxes or liens, plus interest.

5. AMOUNT DUE. The amount due on the Note which is secured by the Trust Deed referred to herein is: Principal balance in the amount of \$46,844.04 plus interest at the rate of 7.250% per annum from April 25, 2001; plus late charges of \$98.55.

6. ELECTION TO SELL. The Trustee hereby elects to sell the property to satisfy the obligations secured by the Trust Deed.

7. TIME OF SALE.

Date: January 3, 2002  
Time: 11:00 a.m. as established by ORS 187.110  
Place: Front of the Klamath County Courthouse, 316 Main Street, Klamath Falls, Oregon

8. RIGHT TO REINSTATE. Any person named in ORS 86.753 has the right, at any time prior to five days before the Trustee conducts the sale, to have this foreclosure dismissed and the Trust Deed reinstated by payment to the Beneficiary of the entire amount then due, other than such portion of the principal as would not then be due had no default occurred, by curing any other default that is capable of being cured by tendering the performance required under the obligation or Trust Deed and by paying all costs and expenses actually incurred in enforcing the obligation and Trust Deed, together with the trustee's and attorney's fees not exceeding the amount provided in ORS 86.753.

DATED: August 24, 2001.

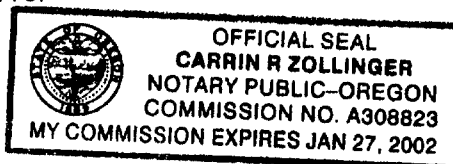
Michael C. Arola  
Michael C. Arola, Successor Trustee

STATE OF OREGON        )  
                                  ) ss.  
COUNTY OF LANE        )

The foregoing instrument was acknowledged before me on August 24, 2001, by MICHAEL C. AROLA.

AFTER RECORDING RETURN TO:

Hershner, Hunter, Andrews,  
Neill & Smith, LLP  
Attn: Carol B. Mart  
P.O. Box 1475  
Eugene, OR 97440



Carrin R Zollinger  
Notary Public for Oregon  
My Commission Expires: 1/27/02

Re-Recorded To Correct Notary

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**EXHIBIT "A"**  
**LEGAL DESCRIPTION**

Beginning at a point in the South line of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, which is 695.5 feet, more or less, West of the quarter corner common to Section 2 and 11, of said Township and Range, and which point of beginning is also in the West line of Hope Street and is the Northeast corner of tract 37 of HOMEDALE, a platted subdivision in Klamath County, Oregon; thence North 0 degrees 13' East along the West line of said Hope Street a distance of 115.0 feet; thence North 89 degrees 56' West 47 feet; thence North 66 degrees 52' West along a line parallel to the center line of the Oregon-California & Eastern Railway, a distance of 801.2 feet to the Northeasterly right-of-way line of the U.S.R.S. Main Canal; thence South 39 degrees 15' East (South 39 degrees 08' East U.S.R.S.) along said right-of-way line a distance of 554.1 feet, more or less to the South line of said Section 2, which is also the North line of said Tract 37, HOMEDALE; thence South 89 degrees 54' East along said Section line a distance of 432.8 feet to the point of beginning and being a parcel of land lying in the S1/2 SW1/4 of Section 2, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon

**State of Oregon, County of Klamath**

Recorded 08/27/01 at 11:08a m.

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*Linda Smith,*

County Clerk Fee\$ 26<sup>00</sup>

**State of Oregon, County of Klamath**

Recorded 10/16/01 at 2:54p. m.

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*Linda Smith,*

County Clerk Fee\$ 10<sup>00</sup> RR