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After recording, return to:
William M. Ganong
Attorney at Law
514 Walnut Avenue
Klamath Falls OR 97601

Vol M04 Page 21076

State of Oregon, County of Klamath
Recorded 04/13/2004 8:22a m
Vol M04 Pg 21076-77
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

NOTICE OF DEFAULT AND ELECTION TO SELL

Pursuant to ORS 86.705-795, the undersigned Trustee and the Beneficiary have elected to foreclose the following described Trust Deed in the manner provided by said statute.

1. A. Grantor: Paul D. Smolich
B. Trustee: William M. Ganong
C. Beneficiary: George E. McMahan and Helen M. McMahan,
Trustees of the McMahan Family Trust u.a.d. March 29, 1991
2. The legal description of the property covered by the subject Trust Deed is:

Lot 28, Block 125, MILLS ADDITION to the City
of Klamath Falls, according to the official
plat thereof on file in the office of the
County Clerk of Klamath County, Oregon.

Klamath County Assessor's Account No.
3809-033AD-03400

The book, page number, and the date the subject Trust Deed was recorded in the Mortgage Records of Klamath County, Oregon are:

Book: M02 Page: 49678 Date Recorded: August 30, 2002

3. The defaults for which the foreclosure is made are the Grantor's failure to pay the second installment of real property taxes and interest for the tax year 2003-2004 due and payable to Klamath County in February 2004; and Grantor's failure to pay beneficiaries' reasonable attorney's fees and costs of \$300 as required when the Note is placed in the hands of an attorney for collection.

4. The amount owing on the obligation secured by the subject Trust Deed as of March 30, 2004 is \$58,319.01, plus interest at the note rate of 7.0% per annum from March 16, 2004 until paid. The second installment of taxes owing for the year 2003-2004 is \$304.86.

5. The Beneficiary and the Trustee have elected to foreclose the above referenced Trust Deed pursuant to the provisions of Oregon Revised Statutes 86.705 to 86.795.

6. The Trustee will conduct a sale of the above described property at 10:00 a.m. on the 31st day of August, 2004, at the front entrance to the office of William M. Ganong at 514 Walnut Avenue, Klamath Falls, Oregon.

7. Pursuant to ORS 86.753, the Grantor, the Grantor's successor in interest to all or any part of the above described property, any beneficiary under a subordinate Trust Deed, or any person having a subordinate lien or encumbrance of record on the property, may cure the default or defaults at any time prior to five days before the above said date of sale by paying the entire amount due at the time of cure under the terms of the obligation, other than such portion as would not then be due had no default occurred. In addition, the person affecting the cure shall pay all costs and expenses actually incurred in enforcing the obligation and Trust Deed, together with the Trustee's and attorney's fees specified in the said statute.

In construing this instrument, the masculine gender includes the feminine and the neuter, the singular includes the plural, the word "grantor" includes any successor in interest to the grantor as well as any other persons owing an obligation, the performance of which is secured by said Trust Deed, the words "trustee" and "beneficiary" include their respective successors in interest, if any.

Dated this 9th day of April, 2004.

Melvin D. Ferguson

Melvin D. Ferguson
Successor Trustee

STATE OF OREGON, County of Klamath) ss.

This instrument was acknowledged before me on April 9, 2004 by Melvin D. Ferguson, Successor Trustee.

Wendy Young

Notary Public for Oregon

My commission expires: 8-31-2007

