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AFTER RECORDING, RETURN TO:

William M. Ganong  
Attorney at Law  
514 Walnut Avenue  
Klamath Falls OR 97601

State of Oregon, County of Klamath  
Recorded 07/09/2004 8:35a m  
Vol M04 Pg 44875  
Linda Smith, County Clerk  
Fee \$ 21.00 # of Pgs 1

### RECISSION OF NOTICE OF DEFAULT

Reference is made to that certain Trust Deed in which Paul D. Smolich is Grantor, William M. Ganong is Successor Trustee, and George E. McMahan and Helen M. McMahan, Trustees of the McMahan Family Trust u.a.d. March 29, 1991, are beneficiaries; said Trust Deed was recorded on August 30, 2002 in Volume M02 at Page 49678 of the Mortgage Records of the Clerk of Klamath County, Oregon, and conveyed to the said Trustee the following real property situated in said county:

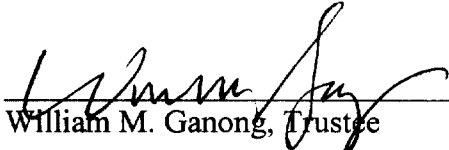
Lot 28, Block 125, MILLS ADDITION to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

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

A notice of grantor's default under said Trust Deed, containing the Trustee's and beneficiaries' election to sell all or part of the above-described real property to satisfy grantor's obligations secured by said Trust Deed was recorded on April 13, 2004 in said Mortgage Records in Volume M04 at Page 21076-77; thereafter, by reason of certain payments on said obligations made as permitted by the provisions of Section 86.753, Oregon Revised Statutes, the default described in said notice of default has been removed, paid, and overcome, so that said Trust Deed should be reinstated.

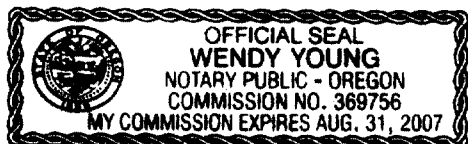
NOW, THEREFORE, notice hereby is given that the undersigned Trustee does hereby rescind, cancel, and withdraw said Notice of Default and Election to Sell; said Trust Deed and all obligations secured thereby hereby are reinstated and shall be and remain in force and effect the same as if no acceleration had occurred and as if said Notice of Default had not been given; it being understood, however, that this rescission shall not be construed as waiving or affecting any breach or default - past, present, or future - under said Trust Deed or as impairing any right or remedy thereunder, or as modifying or altering in any respect any of the terms, covenants, conditions, or obligations thereof, but is and shall be deemed to be only an election without prejudice, not to cause a sale to be made pursuant to said notice so recorded.

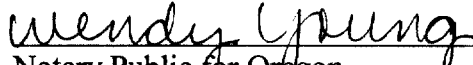
IN WITNESS WHEREOF, the undersigned Trustee has hereunto set his hand and seal this 7<sup>th</sup> day of July, 2004.

  
William M. Ganong, Trustee

STATE OF OREGON, County of Klamath) ss.

This instrument was acknowledged before me on July 7, 2004 by William M. Ganong as Trustee.



  
Notary Public for Oregon  
My Commission Expires: 8-31-2007