

After Recording Return to:

Joseph E. Kellerman  
Hornecker, Cowling, Hassen & Heysell, L.L.P.  
717 Murphy Road  
Medford, OR 97504

**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:                   Careen R. Powless and Aaron Powless, individually and purportedly doing business as Industrial Property Group, LLC  
       Trustee:                 AmeriTitle, an Oregon corporation  
       Successor Trustee:     Joseph E. Kellerman  
       Beneficiary:            Klamath Limited Partnership, an Oregon limited partnership
2.     Property covered by the Trust Deed: Lots 1 through 26, inclusive, Block 7, SECOND HOT SPRINGS 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.

EXCEPTING THEREFROM the Easterly 10 feet of Lots 1, 2, 3 and 4 as conveyed to the City of Klamath Falls by deeds recorded November 17, 1948 in Volume 226, pages 431 and 433, respectively.

TOGETHER WITH the vacated alley which inured thereto by operation of law.

3.     Trust Deed was recorded on April 18, 2005, as instrument number M05, page 26807, Microfilm Records of Klamath County, Oregon. The beneficial interest thereunder was assigned to Klamath Limited Partnership, an Oregon limited partnership on June 6, 2005 and recorded on June 15, 2005 as

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instrument number M05, page 44918, Microfilm Records of Klamath County, Oregon.

4. Defaults for which foreclosure is made is the failure of Grantee to do the following:
  - A. Failure to make two back payments of \$4,961.78 each, plus monthly payments in the amount of \$4,961.78 for the months of June 2006 and thereafter;
  - B. Failure to pay real property taxes assessed against the property;
  - C. Failure to provide proof of required insurance pursuant to the terms of the trust deed being foreclosed herein; and
  - D. Failure to pay late fees in the amount of \$1,736.63 through May 2006 and in the amount of \$248.09 for each late payment thereafter;
5. The sum owing on the obligation secured by the Trust Deed is \$766,164.97 as of the 6<sup>th</sup> of June 2006, plus interest thereon at the rate of 6.75% from June 6, 2006 until paid, plus late fees in the amount of \$248.09 for each month from June 2006 and thereafter, plus such sums as beneficiary may advance towards payment of real property taxes, binding insurance for the property and payment of other liens that may otherwise attach thereto.
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 the 18<sup>th</sup> day of December 2006, at 10:00 a.m. standard time as established by ORS 187.110, at the front steps of the Klamath County Courthouse, 316 Main Street, Klamath Falls, Oregon, 97601, 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

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"beneficiary" includes any successor in interest of the beneficiary named in the Trust Deed, and any collateral beneficiary, and their successors in interest.

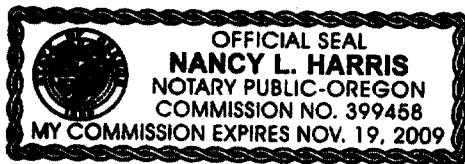
DATED this 24<sup>th</sup> day of July, 2006.

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

By: [Signature]  
Joseph E. Kellerman, Successor Trustee

STATE OF OREGON           )  
  ) ss.  
County of Jackson        )

On this 24<sup>th</sup> day of July, 2006, personally appeared before me Joseph E. Kellerman, as Successor Trustee, and acknowledged said instrument to be his voluntary act and deed.



Nancy L. Harris  
Notary Public for Oregon  
My Commission Expires: 11-19-2009

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