

Glenn R. Smith and Neal G. Buchanan

TO

Daniel H. Bailey

AFTER RECORDING RETURN TO Neal G. Buchanan, 435 Oak Ave., Klamath Falls, OR

MODIFICATION/CORRECTION OF TRUST DEED

THIS AGREEMENT, made and entered into this 12th day of December, 1997, by and between Daniel H. Bailey, hereinafter called first party, and Glenn R. Smith and Neal G. Buchanan, hereinafter called second party;

WITNESSETH:

On or about the 29th day of May, 1997, Glenn R. Smith and Neal G. Buchanan, hereinafter called mortgagor, made, executed and delivered to Daniel H. Bailey a promissory note in the sum of \$46,000.00, together with the mortgagor's trust deed, hereinafter called the security agreement, securing the note. The security agreement was recorded in the Mortgage Records of Klamath County, Oregon, on May 29, 1997, in volume No. M97 at page 16438 or as instrument No. 38396, reference to which hereby is made.

The first party currently is the owner and holder of the note and security agreement. The second party is the mortgagor, and the current owner of the real property described in the security agreement.

Both parties have agreed to a correction or modification of the terms of the note and trust deed to more accurately reflect the intention of the parties in entering into the said security agreement. This agreement is intended to accomplish such correction.

NOW, THEREFORE, for value received, receipt of which hereby is acknowledged by the first party, the first party and second party agree that the current unpaid balance of the note secured by trust deed is in amount equivalent to one-third of the net proceeds receivable from sale of the real property after deduction of those payments or expenses paid by any of the three parties to this agreement (which such payments or expenses shall first be deducted from the proceeds receivable from sale of the property).

The parties intend that this instrument shall change the terms of the note and security agreement in the particulars set forth herein.

In construing this document, it is understood that any party may be more than one person. If the context so requires, the singular shall be taken to mean the plural. Generally, all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

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IN WITNESS WHEREOF, the parties hereto have executed this document in duplicate on the date first above written; if any undersigned party is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

Daniel H. Bailey
First Party

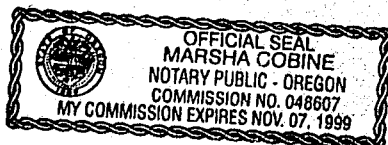
Neil G. Buchanan
Second Party

Neil G. Buchanan
Second Party

IMPORTANT NOTICE: If the above extension comes within the purview of the Truth-in-Lending Act and Regulation Z, and if the first party above imposes a charge or fee for granting such extension, AND if the obligation described above is other than one "upon which the amount of the finance charge is determined by the application of a percentage rate to the unpaid balance," disclosures must be made by the first party pursuant to Section 225.8(e) of Regulation Z. For this purpose, Steven-Ness Form. No. 1319 or equivalent should be used.

STATE OF OREGON, County of Klamath) ss.

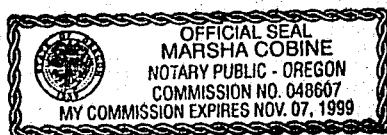
This instrument was acknowledged before me on December 11, 1997, by Daniel H. Bailey.



Marsha Cobine
NOTARY PUBLIC FOR OREGON
My commission expires: 11-7-99

STATE OF OREGON, County of Klamath) ss.

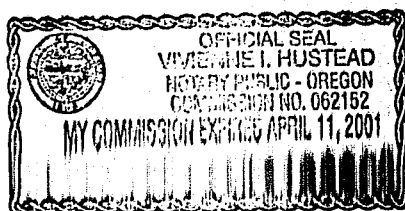
This instrument was acknowledged before me on December 11, 1997, by Neil G. Buchanan.



Marsha Cobine
NOTARY PUBLIC FOR OREGON
My commission expires: 11-7-99

STATE OF OREGON, County of Klamath) ss.

This instrument was acknowledged before me on December 17, 1997, by Glenn R. Smith.



Vivienne I. Husted
NOTARY PUBLIC FOR OREGON
My commission expires: 4-11-2001

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Neal G. Buchanan the 17th day of December A.D., 19 97 at 1:29 o'clock P. M., and duly recorded in Vol. M97 of Mortgages on Page 40956.

FEE \$15.00

By Bernetha G. Letsch, County Clerk
Kathleen R. Roes