

THIS AGREEMENT, made and entered into this _____ day of MAY, 19 99 by and between
PATRICK H. CAVANAUGH AND CAROL J. CAVANAUGH

hereinafter called the "Borrower(s)" and South Valley Bank & Trust, an Oregon Banking Corporation, hereinafter called the "Lender".

WITNESSETH: On or about the 30TH day of JULY, 19 99, the Borrower(s) (or the original maker(s) if the Borrower is an assignee of record) did make, execute and deliver to the Lender that certain promissory note in the sum of \$ 225,000.00, payable in monthly installments with interest at the rate of 8.750 % per annum. For the purpose of securing the payment of said promissory note, the Borrower(s) (or the original maker(s) if the Borrower is an assignee of record) did make, execute and deliver to the Lender their certain Mortgage or Trust Deed, hereinafter called a "Security Instrument" bearing date of JULY 30, 19 99 conveying the following described real property, situated in the County of KLAMATH, State of OREGON to-wit:

Lot 14, RUNNING Y RESORT, PHASE I, according to the official plat thereof on file in the office of the County clerk of Klamath County, Oregon.

10907 Kestrel Road, Klamath Falls, Oregon 97601

Modifying Deed of Trust dated July 30, 1998 and recorded July 31, 1998 Volume M98 Page 28214, Instrument 63758.

which Security Instrument was duly recorded in the records of said county and state.
There is now due and owing upon the promissory note aforesaid, the principal sum of Two hundred twenty-five thousand and no/100 DOLLARS (\$ 225,000.00), together with the accrued interest thereon, and the Borrower(s) desire a modification of the terms of payment thereof, to which the Lender is agreeable on the terms and conditions hereinafter stated and not otherwise.

NOW THEREFORE, in consideration of the premises and of the promises and agreements hereinafter contained, the parties hereto do hereby agree that the balance now due and owing on the promissory note hereinabove described shall be and is payable in monthly installments of One thousand four hundred seventy-eight and 09/100 DOLLARS (\$ 1,478.09) each, including interest on the unpaid balance at the rate of 6.875 % per annum. The first installment shall be and is payable on the first day of July, 19 99 and a like installment shall be and is payable on the first day of each month thereafter until the principal and interest are fully paid, except that the final payment of principal and interest if not sooner paid, shall be due and payable on the first day of June, 19 2029. If any of said installments or either principal or interest are not so paid, the entire balance then owing shall, at the option of the Lender or its successors in interest, become immediately due and payable without notice.

Except as herein modified in the manner and on the terms and conditions herein stated, the said promissory note and Security instrument shall be in full force and effect, with all the terms and conditions of which the Borrower (s) do agree to comply in the same manner and to the same extent as though the provisions thereof were in all respects incorporated herein and made a part of this agreement.

IN WITNESS WHEREOF, the Borrower(s) have hereunto set their hand(s) and seal (s) and the Lender has caused these presents to be executed on its behalf by its duly authorized representative this day and year first hereinabove written.

Patrick H. Cavanaugh
Signature of Borrower

Carol J. Cavanaugh
Signature of Borrower

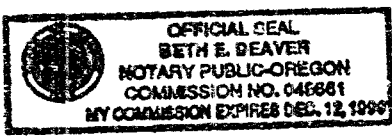
South Valley Bank & Trust

By: Margie Wright Stegahn
Authorized Signature

State of Oregon
County of Klamath

Personally appeared the above named Patrick H. Cavanaugh and Carol J. Cavanaugh

and acknowledged the foregoing instrument to be their voluntary act and deed. Before me:



Beth E. Deaver
Notary Public for Oregon
My commission expires 12-12-99

17682

State of Oregon, County of Klamath
Recorded May 7, 1999, at 3:30 PM
at the referenced page, Vol. M99.
Linda Smith, County Clerk
Fee \$ 15

Linda Smith