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RECORDATION REQUESTED BY:

South Valley Bank & Trust  
803 Main Street  
P.O. Box 5210  
Klamath Falls, OR 97601

Vol M01 Page 43510

WHEN RECORDED MAIL TO:

South Valley Bank & Trust  
803 Main Street  
P.O. Box 5210  
Klamath Falls, OR 97601

SEND TAX NOTICES TO:

South Valley Bank & Trust  
803 Main Street  
P.O. Box 5210  
Klamath Falls, OR 97601

MTL 1396 - 3093

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MODIFICATION OF DEED OF TRUST

THIS MODIFICATION OF DEED OF TRUST dated July 26, 2001, is made and executed between Gerald O Herman and Nelda A Herman whose address is 14606 Anderson Rd, Klamath Falls, OR 97603; Tenants by the Entirety ("Grantor") and South Valley Bank & Trust, 803 Main Street, P.O. Box 5210, Klamath Falls, OR 97601 ("Lender").

DEED OF TRUST. Lender and Grantor have entered into a Deed of Trust dated April 13, 2001 (the "Deed of Trust") which has been recorded in Klamath County, State of Oregon, as follows:

Recorded on April 24, 2001 in the office of the County Clerk, Klamath County, Oregon. Volume M01, Page 18298. Modified on May 15, 2001, recorded on May 18, 2001 in the office of the County Clerk, Klamath County Oregon. Volume M01, Page 23030.

REAL PROPERTY DESCRIPTION. The Deed of Trust covers the following described real property located in Klamath County, State of Oregon:

A parcel of land situate in the N1/2 of Section 2, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, beingmore particularly described as follows: Beginning at the Northeast corner of Section 2, Township 41 South, Range 10 East of the Willamette Meridian; thence East along the North Boundary line of said Section 2,897.40 feet; thence West 2,830.74 feet to the East meander line of Lost River; thence Northerly following said meander line 695.64 feet to an intersection of said line with the West boundary line of said section; thence North 1,302.84 feet to the place of beginning. EXCEPTING rights of way for the Great Northern Railway; also excepting that part of said tract lying Westerly of the right of way of the Dalles-California Highway as conveyed to Thomas P Barry and Winnifred Barry by Deed dated April 25, 1945 and recorded in Volume 180 at page 211 of Deed Records of Klamath County, Oregon. ALSO EXCEPTING that property deeded in Deed Volume 350 at page 265 to Ralph T Plimpton, et ux.

The Real Property or its address is commonly known as 14606 Anderson Rd, Klamath Falls, OR 97603.

MODIFICATION. Lender and Grantor hereby modify the Deed of Trust as follows:

An increase in the loan amount to \$600,000.00.

CONTINUING VALIDITY. Except as expressly modified above, the terms of the original Deed of Trust shall remain unchanged and in full force and effect. Consent by Lender to this Modification does not waive Lender's right to require strict performance of the Deed of Trust as changed above nor obligate Lender to make any future modifications. Nothing in this Modification shall constitute a satisfaction of the promissory note or other credit agreement secured by the Deed of Trust (the "Note"). It is the intention of Lender to retain as liable all parties to the Deed of Trust and all parties, makers and endorsers to the Note, including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, shall not be released by virtue of this Modification. If any person who signed the original Deed of Trust does not sign this Modification, then all persons signing below acknowledge that this Modification is given conditionally, based on the representation to Lender that the non-signing person consents to the changes and provisions of this Modification or otherwise will not be released by it. This waiver applies not only to any initial extension or modification, but also to all such subsequent actions.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MODIFICATION OF DEED OF TRUST AND GRANTOR AGREES TO ITS TERMS. THIS MODIFICATION OF DEED OF TRUST IS DATED JULY 26, 2001.

GRANTOR:

G H RANCH

By:

Nelda Ann Herman  
Nelda Ann Herman, Partner of G H Ranch

LENDER:

x

Stephen VanBuren  
Authorized Officer

PARTNERSHIP ACKNOWLEDGMENT

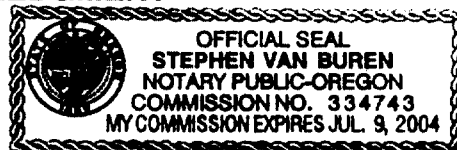
STATE OF

Oregon

COUNTY OF

Klamath

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) SS  
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On this 27th day of July, 20 01, before me, the undersigned Notary Public, personally appeared Nelda Ann Herman of G H Ranch, and known to me to be a partner or designated agent of the partnership that executed the Modification of Deed of Trust and acknowledged the Modification to be the free and voluntary act and deed of the partnership, by authority of statute or its Partnership Agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Modification and in fact executed the Modification on behalf of the partnership.

By

Stephen VanBuren

Residing at

Klamath Falls

Notary Public in and for the State of

Oregon

My commission expires

July 9, 2004

LENDER ACKNOWLEDGMENT

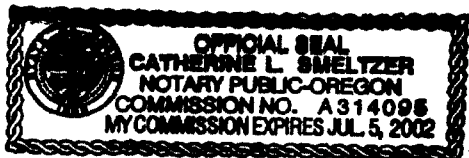
STATE OF Oregon )  
 ) SS  
COUNTY OF Klamath )



On this 27th day of July, 20 01, before me, the undersigned Notary Public, personally appeared Stephen Van Dusen and known to me to be the Lending Officer authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By Catherine L. Smeltzer Residing at Klamath Falls  
Notary Public in and for the State of Oregon My commission expires July 5, 2002

LASER PRO Lending, Ver. 5.17.00.03 Copyright: Harland Financial Solutions, Inc. 1997, 2001. All Rights Reserved - OR F:\LPW\MCFLPLUG202.FC TR-2388 PR-STDPD12



State of Oregon, County of Klamath  
Recorded 08/27/01 at 11:13 a.m.  
In Vol. M01 Page 43510  
Linda Smith,  
County Clerk Fee\$ 26.00