

RECORDATION REQUESTED BY:

South Valley Bank & Trust  
Commercial Branch  
P O Box 5210  
Klamath Falls, OR 97601

Vol M02 Page 35097

WHEN RECORDED MAIL TO:

South Valley Bank & Trust  
Commercial Branch  
P O Box 5210  
Klamath Falls, OR 97601

State of Oregon, County of Klamath

Recorded 06/17/2002 11:05 a m.

Vol M02, Pg 35097-99

Linda Smith, County Clerk

Fee \$ 31.00 # of Pgs 3

SEND TAX NOTICES TO:

South Valley Bank & Trust  
Commercial Branch  
P O Box 5210  
Klamath Falls, OR 97601

MTL 1396--3990

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MODIFICATION OF DEED OF TRUST

THIS MODIFICATION OF DEED OF TRUST dated June 6, 2002, is made and executed between Klamath Pacific Corporation, 2918 Edison St., Klamath Falls, OR 97603 ("Grantor") and South Valley Bank & Trust, Commercial Branch, P O Box 5210, Klamath Falls, OR 97601 ("Lender").

DEED OF TRUST. Lender and Grantor have entered into a Deed of Trust dated April 29, 1998 (the "Deed of Trust") which has been recorded in Klamath County, State of Oregon, as follows:

Recorded on May 27, 1998 at the Klamath County Clerk's Office, Volume M98, page 17879, Modified on May 10, 2000 recorded on May 15, 2000, at the Klamath County Clerk's Office, Volume M00, page 17538.

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

See Exhibit B, which is attached to this Modification and made a part of this Modification as if fully set forth herein.

The Real Property or its address is commonly known as Hill Road, Klamath Falls, OR 97603.

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

Extended the maturity to May 30, 2003 and a monthly borrowing base certification will be implemented at 80% of accounts and 60% of inventory.

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 endorser 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 JUNE 6, 2002.

GRANTOR:

KLAMATH PACIFIC CORPORATION

By: Robert A Stewart  
Robert A Stewart, President of Klamath Pacific Corporation

AMERITITLE has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein.

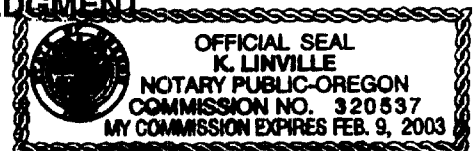
LENDER:

X Jeffrey S Bradford  
Authorized Officer

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon  
COUNTY OF Klamath

)  
) SS  
)



On this 6 day of June, 2002, before me, the undersigned Notary Public, personally appeared Robert A Stewart, President of Klamath Pacific Corporation, and known to me to be an authorized agent of the corporation that executed the Modification of Deed of Trust and acknowledged the Modification to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, 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 corporation.

By: K. Linville  
Notary Public in and for the State of Oregon

Residing at Klamath Falls  
My commission expires 2-9-03

LENDER ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ and known to me to be the \_\_\_\_\_, 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 \_\_\_\_\_ Residing at \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_ My commission expires \_\_\_\_\_

EXHIBIT B

35099

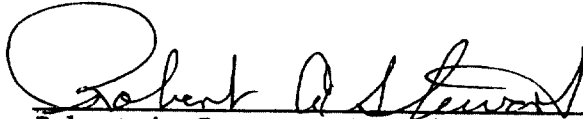
PARCEL 1

The East one-half of the Northwest one-fourth of the Northeast one-fourth of Section 32, Township 39 South, Range 10 East of the Willamette Meridian, (E $\frac{1}{2}$ NW $\frac{1}{4}$  NE $\frac{1}{4}$  Section 32, Township 39 South, Range 10 East, Willamette Meridian) Klamath County, Oregon.

PARCEL 2

Beginning at the Northwest corner of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 32, Township 39 south, Range 10 East, Willamette Meridian; thence South along the West line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  a distance of 4 chains; thence East parallel to the North line of said Section a distance of 9 chains; thence North parallel to said West line a distance of 14 chains; thence West along the North line of said section a distance of 9 chains to the point of beginning.

Klamath Pacific Corporation

A handwritten signature in cursive script, appearing to read "Robert A. Stewart", is written over a horizontal line.

Robert A. Stewart, President of Klamath Pacific Corporation