

**RECORDATION REQUESTED BY:**

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

**WHEN RECORDED MAIL TO:**

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

**SEND TAX NOTICES TO:**

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

State of Oregon, County of Klamath  
Recorded 07/29/2002 10:59 a.m.  
Vol M02, Pg 42372-73  
Linda Smith, County Clerk  
Fee \$ 26.00 # of Pgs 2

MTL 1376-4167

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 August 21, 1998 (the "Deed of Trust") which has been recorded in Klamath County, State of Oregon, as follows:

Recorded on August 27, 1998 at the Klamath County Recorder's Office, Volume M98, page 31464. Modified on May 10, 2000 recorded May 15, 2000 in volume M00, page 17536.

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

Parcels 1, 2 and 3 of Land Partition 18-95 located in the SE1/4 of the SE1/4 of Section 18, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

The Real Property or its address is commonly known as Klamath Falls, OR 97601.

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

Extend the maturity to May 30, 2003 and implement a monthly borrowing base certification 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 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 JUNE 6, 2002.**

**GRANTOR:**

**KLAMATH PACIFIC CORPORATION**

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

**LENDER:**

x Jeffrey S. Bruff  
Authorized Officer

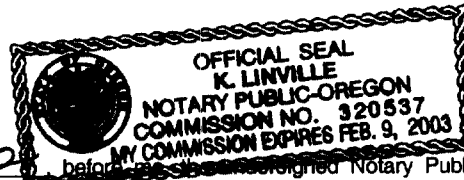
**CORPORATE ACKNOWLEDGMENT**

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: [Signature]  
Notary Public In and for the State of Oregon

Residing at Klamath Falls, OR  
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 \_\_\_\_\_