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RECORDATION REQUESTED BY:

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

Vol M02 Page 43676

State of Oregon, County of Klamath  
Recorded 08/01/2002 11:03 a.m.  
Vol M02, Pg 43676-78  
Linda Smith, County Clerk  
Fee \$ 31.00 # of Pgs 3

WHEN RECORDED MAIL TO:

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

Attn: Cyndy

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.

SEND TAX NOTICES TO:

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

MTG 1396-4118

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MODIFICATION OF DEED OF TRUST

THIS MODIFICATION OF DEED OF TRUST dated July 29, 2002, is made and executed between Kleos Children's Community, Inc., whose address is 32700 River Bend Rd., Chiloquin, Oregon 97624 ("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 July 26, 2001 (the "Deed of Trust") which has been recorded in Klamath County, State of Oregon, as follows:

A Deed of Trust dated July 26, 2001, recorded on August 1, 2001 in Volume M01 on page 38681 in the office of the Klamath County Clerk, State of Oregon.

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

See Exhibit "A", which is attached to this Deed of Trust and made a part of this Deed of Trust as if fully set forth herein

The Real Property or its address is commonly known as 32700 River Bend Rd., Chiloquin, OR 97601. The Real Property tax identification number is 3507 02000 00600

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

Annual renewal of operating line to extend Maturity Date to August 20, 2003.

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 endorers 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 29, 2002.

GRANTOR:

KLEOS CHILDREN'S COMMUNITY, INC.

By: Gordon L. Hankins  
Gordon L. Hankins, President of Kleos Children's Community, Inc.

By: Victoria L. Hankins  
Victoria L. Hankins, Vice President of Kleos Children's Community, Inc.

LENDER:

X Stephen Van Buren  
Authorized Officer

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon

COUNTY OF Klamath

)  
) SS  
)



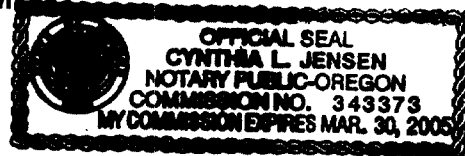
On this 30th day of July, 20 02, before me, the undersigned Notary Public, personally appeared Gordon L. Hankins, President and Victoria L. Hankins, Vice President of Kleos Children's Community, Inc., and known to me to be authorized agents of the corporation that executed the Modification of Deed of 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 they are authorized to execute this Modification and in fact executed the Modification on behalf of the corporation.

By: Stephen Van Buren  
Notary Public in and for the State of Oregon

Residing at Klamath Falls  
My commission expires July 9, 2004

LENDER ACKNOWLEDGMENT

STATE OF Oregon )  
 ) SS  
COUNTY OF Klamath )



On this 30<sup>th</sup> day of July, 20 02, before me, the undersigned Notary Public, personally appeared Stephen Van Buren and known to me to be the Loan 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 Cynthia L Jensen Residing at Klamath Falls  
Notary Public in and for the State of Oregon My commission expires 3/30/05

EXHIBIT "A"  
LEGAL DESCRIPTION

A parcel of land being portions of Government Lots 18 and 23, situate in Section 20 of Township 35 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

That certain part of said Government Lot 18, described as follows:

Commencing at a point 900 feet East of the Southwest corner of said Government Lot 18; thence East along the South line of said Government Lot 18 a distance of 200 feet; thence at right angles North, to the bank of the Williamson River; thence Northwesterly along the bank of the Williamson River to a point directly North of the point of beginning at right angles to the said South line of Government Lot 18; thence South to the point of beginning.

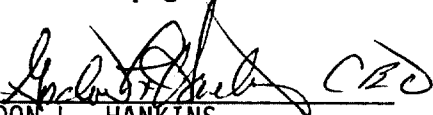
ALSO, that part of said Government Lot 23 which lies directly South of the above described land described as follows:

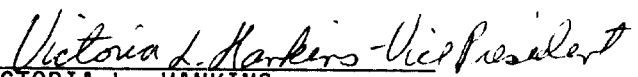
Commencing at a point 900 feet East of the Northwest corner of said Government Lot 23 which is common with the point of beginning with the above described land; thence East along the North line of said Government Lot 23 a distance of 200 feet; thence at right angles South, a distance of 129.03 feet; thence Northwesterly to a point which is 64.51 feet directly South of the point of beginning; thence North a distance of 64.51 feet to the point of beginning.

Together with an easement as described in Stipulated Order and Decree filed in Case No. 84-160CV Court Records of Klamath County, Oregon.

Also a non-exclusive easement for the purpose of egress and ingress 30.00 feet in width over and across the Westerly 30.00 feet of Government Lots 22, 30 and 31 of Section 20, Township 35 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, said easement following the existing road that in the past has been commonly referred to as Indian Service Road S-40, recorded April 14, 1995 in Volume M95, page 9257, Microfilm Records of Klamath County, Oregon.

And also an easement for ingress and egress as set out in Deed recorded June 13, 1936 in Volume 106, page 474, Deed Records of Klamath County, Oregon.

  
GORDON L. HANKINS

  
VICTORIA L. HANKINS