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State of Oregon, County of Klamath
 Recorded 10/02/2002 11:02 a.m.
 Vol M02, Pg 56379
 Linda Smith, County Clerk
 Fee \$ 21.00 # of Pgs 1

MTC 1396-4283

MODIFICATION OF MORTGAGE OR TRUST DEED

THIS AGREEMENT, made and entered into this 1st day of October, 2002 and between Michael P. Picard and Valerie Jean Picard hereinafter called the "Borrower(s)" and South Valley Bank & Trust, an Oregon Banking Corporation, hereinafter called the "Lender".

WITNESSETH: On or about the September 13, 1996, 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 \$46,710.00, payable in monthly installments with interest at the rate of 9.5% per annum. For the purpose of securing the payment of said promissory note, the Borrow(s) (or the original maker(s) if the Borrower(s) 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 September 13, 1996, conveying the following described real property, situated in the County of Klamath, State of Oregon to-wit:

Lot 68, RUNNING Y RESORT, PHASE I, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

which Security Instrument was duly recorded in the records of said county and state. Volume M96 Page 29213

There is now due and owing upon the promissory note aforesaid, the principal sum Thirty Five Thousand Seven Hundred and 92/100 Dollars, 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 Four Hundred Ninety Three and 01/100 Dollars on the unpaid balance at the rate of 9.5% per annum. The first installment shall be and is payable on November 1, 2002, and a like installment shall be and is payable on the 1st 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 October 1, 2006. 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.

Michael P. Picard
 Michael P. Picard

Valerie Jean Picard
 Valerie Jean Picard

South Valley Bank & Trust

By: Vergie Wright-Stepahin
 Vergie Wright-Stepahin / Vice President

State of Oregon
 County of Klamath

Personally appearing the above named Michael P. Picard + Valerie Jean Picard and acknowledge the foregoing instrument to be their voluntary act and deed. Before me:



K. Linville
 Notary Public for Oregon
 My commission expires 2-9-03