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RECORDATION REQUESTED BY:

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

UTC-1396-5114

Vol M03 Page 46669

State of Oregon, County of Klamath

Recorded 07/07/2003 3:22 p m.

Vol M03 Pg 46669-71

Linda Smith, County Clerk

Fee \$ 46.00 # of Pgs 3

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

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MODIFICATION OF DEED OF TRUST

THIS MODIFICATION OF DEED OF TRUST dated July 1, 2003, is made and executed between Gerald Orville Herman and Nelda Ann Herman, as Tenants by the Entirety ("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 13, 2001 (the "Deed of Trust") which has been recorded in Klamath County, State of Oregon, as follows:

Recorded on April 13, 2001 in the office of the Klamath County Clerk, Volume M01, Page 18928, Modified May 15, 2001, Recorded on May 18, 2001 in the office of the Klamath County Clerk, Volume M01, Page 23030, Modified December 17, 2001, Recorded on December 31, 2001 in the office of the Klamath County Clerk, Volume M01, Page 66917, Modified on June 11, 2002, Recorded June 11, 2002 in the office of the Klamath County Clerk, Volume M02, Page 34302.

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 Modification and made a part of this Modification as if fully set forth herein

The Real Property or its address is commonly known as 14606 Anderson Rd, Klamath Falls, OR 97603. The Real Property tax identification number is 4110-00200-00200-000

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

Extend Maturity date to June 30, 2004 and increase Line of Credit to \$1,000,000.00.

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 1, 2003.

GRANTOR:

x Gerald Orville Herman
Gerald Orville Herman, Individually

x Nelda Ann Herman
Nelda Ann Herman, Individually

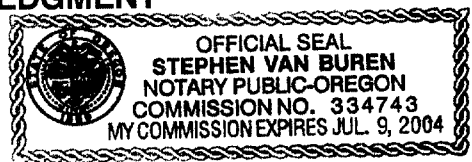
LENDER:

x Stephen Van Buren
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath

)
) SS
)



On this day before me, the undersigned Notary Public, personally appeared Gerald Orville Herman and Nelda Ann Herman, to me known to be the individuals described in and who executed the Modification of Deed of Trust, and acknowledged that they signed the Modification as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 7th day of July, 2003.

By Stephen Van Buren Residing at Klamath Falls
Notary Public in and for the State of Oregon My commission expires July 9, 2004

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.

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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 _____

JULY 01, 2003

46671

THE REAL PROPERTY OR ITS ADDRESS IS COMMONLY KNOWN AS:
14606 ANDERSON RD., KLAMATH FALLS, OR 97603.

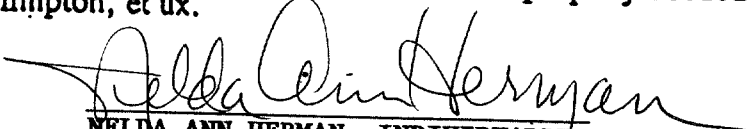
THE REAL PROPERTY TAX IDENTIFICATION NUMBER IS 4110-00200-00200-000.

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, being more particularly described as follows:

Beginning at the Northwest 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 South 1,938.42 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.


GERALD ORVILLE HERMAN, INDIVIDUALLY


NELDA ANN HERMAN, INDIVIDUALLY