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State of Oregon, County of Klamath
Recorded 02/17/2005 2:53 p m
Vol M05 Pg 10887.8
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

SUBORDINATION AGREEMENT

PARTIES

LBLM Investments LLC, an Oregon Limited Liability Company ("LBLM")

Pac Equities, Inc. ("Pac Equities")

RECITALS

WHEREAS Pac Equities has lent money to Southview, LLC.; and

WHEREAS Southview Properties, LLC. has secured its obligation to repay Pac Equities by executing a Trust Deed encumbering that certain property described in Exhibit "A"; and

WHEREAS Pac Equities has secured the additional funding from LBLM to be used in the development of the Southview Property and has agreed to subordinate its trust deed lien to a trust deed lien in favor of LBLM.

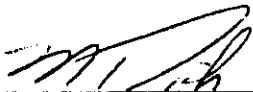
NOW, THEREFORE, for valuable consideration receipt and sufficiency being hereby acknowledged, Pac Equities does hereby agree to subordinate that certain trust deed dated October 29, 2003 and recorded at page 80323' Records of Klamath County, Oregon to the debt owed by Pac Equities to LBLM and secured by that certain trust deed of even date herewith

[Remainder of Page Intentionally Left Blank]

26 ✓ OC: Southview Properties

between Southview Properties, LLC as grantor and LBLM as beneficiary given to secure
payment of a promissory note in the amount of \$800,000.

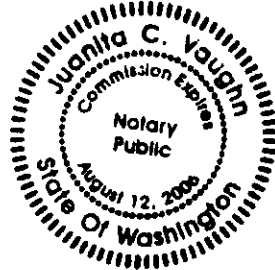
PAC EQUITIES, INC.


By 
Michael Rich, President

Dated 2-15-05

STATE OF OREGON)
)ss
County of Deschutes)

On 2/15/05, personally appeared the above named
MICHAEL RICH and acknowledged the foregoing instrument to be his voluntary
act. Before me:




Notary Public for Oregon