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M05-63591

Klamath County, Oregon
09/06/2005 03:06:06 PM
Pages 7 Fee: \$51.00

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TRUST DEED
SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("Agreement") is entered into as of the ____ day of July, 2005, by and between Southview Properties, LLC, an Oregon limited liability company ("Borrower"), and LBLM Investments, LLC, an Oregon limited liability company ("LBLM").

RECITALS

A. Borrower has requested that Premier West Bank, an Oregon bank ("Premier") extend to Borrower a loan in the principal amount of up to \$1,000,000 (the "Premier Loan"), a portion of the proceeds of which will be used to fund Phase II construction activities on the real property described on the attached exhibit A (the "Property"). The Premier Loan is evidenced by a promissory note executed by Borrower in favor of Premier in the original principal face amount of \$1,000,000 (the "Premier Note"), which will be secured by, among other things, a Deed of Trust (the "Premier Deed of Trust") encumbering the Property. The Premier Note, the Premier Deed of Trust and all other documents executed in connection with, or securing, the Premier Loan are hereinafter collectively referred to as the "Premier Loan Documents."

B. Borrower has previously entered into a loan with Pac Equities, Inc who assigned \$800,000 of that loan to LBLM (the "LBLM Interest"). Borrower executed a promissory note Borrower in favor of Pac Equities (the "Note"), which is secured by, among other things, a deed of trust (the "LBLM Trust Deed") encumbering the Property. The LBLM Trust Deed was recorded on February 17, 2005 as Instrument No M-05 on page 10877. & recorded on May 5, 2005 as Instrument No. M05 page 32595.

C. Premier will only make the Premier Loan upon the agreement by Borrower and LBLM to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of Premier making the Premier Loan and of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Recitals. The recitals set forth above are hereby incorporated herein by this reference.
2. LBLM. LBLM represents and warrants that LBLM is the current holder of \$800,000 of the Note, and that it has not assigned, transferred or otherwise conveyed its interest in the Note or the LBLM Deed of Trust to any other person or entity.
3. Consent to Premier Loan. LBLM consents to the Premier Loan and agrees that the closing, funding and performance of such loan shall not result in a violation of or default under any of the LBLM documents.
4. Subordination of LBLM Trust Deed.
 - (a) LBLM hereby expressly subordinates any lien of the LBLM Indebtedness (as defined below), and all of LBLM's liens and rights pursuant to the Note and the LBLM Trust Deed to the lien of the Premier Loan and all rights of Premier and its successors and assigns under the Premier Loan Documents. As a result of this subordination, the Premier Loan Documents shall be a prior lien on the Property and all other collateral encumbered by the Premier Loan Documents, and the Note and the LBLM Trust Deed shall at all times be and remain absolutely subordinate, subject to and subservient to the prior lien of the Premier Loan Documents.
 - (b) The term "LBLM Indebtedness," as used in this Agreement, shall mean and include any and all indebtedness, liabilities and obligations of Borrower to LBLM or others for whom LBLM acts as agent, whether absolute or contingent, direct or indirect, joint, several or independent, now outstanding or owing or which may hereafter be existing or incurred, arising by operation of law or otherwise, due or to become due, and which arise out of the Note or the LBLM Trust Deed or are in any way secured by the Property or any other collateral now or hereafter provided to Premier as collateral for the Premier Loan.
5. Partial Release. If Borrower is not in default under this Agreement, the LBLM Trust Deed and no condition exists or event has occurred or failed to occur that, with or without notice and the passage of time could ripen into such a default, at the time the request for release is made or at any time thereafter through the date the partial release is delivered to LBLM, Borrower may request at any time upon either: (i) the close of construction financing for improvements on an individual lot or (ii) the sale of a lot, that LBLM release portions of the Property. LBLM will release the designated parcel[s], provided that Borrower will have given at least 5 days= advance notice of Borrower=s desire to obtain the partial release and will

accompany the notice with an adequate legal description. In consideration of LBLM's execution, acknowledgement and delivery of the partial release, Borrower will pay LBLM eighty percent (80%) of the Residual Cash Proceeds of the sale or loan. For purposes of this Agreement, the term "Residual Cash Proceeds" means either: (1) In the case of a lot sale, gross proceeds less any payment of lot release payments made to a superior lienholder less selling costs less standard and customary closing costs of the sale; or (2) In the case of a finished home sale, gross proceeds less: the hard costs of construction, including but not limited to the costs paid to subcontractors, material suppliers or other service providers; a reserve for accrued but unpaid invoices for work or materials provided by subcontractors, material suppliers or other service providers, if any; and the soft costs of construction, including, but not limited to construction financing charges, insurance costs; sales and marketing costs, including sales commissions paid to independent real estate agents, administrative and management costs and standard and customary closing costs.

6. Covenants of LBLM. LBLM hereby covenants and agrees that it will execute any and all other instruments necessary, as reasonably required by Premier, to subordinate the LBLM Trust Deed to the Premier Loan.

7. Termination of Subordination. This Agreement shall automatically terminate and be of no further force and effect at the earlier of: (a) the Borrower's satisfaction of all of its obligations to LBLM; or (b) such time as all obligations under the Premier Loan have been paid in full and the Premier Deed of Trust has been released.

8. Notices. All notices, requests or demands hereunder must be given in writing and will be considered to be duly and properly given on personal delivery or delivery by courier to the party or an officer of the party, or if mailed, upon the first to occur of actual receipt or the expiration of three (3) days after being sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

If to LBLM:

LBLM Investments, LLC
19718 Hollygrape
Bend, OR 97702
Attention: Les M. Mombert

If to Borrower:

Southview Properties, LLC
22101 NE 150th Avenue
Battleground, WA 98604
Attention: Gregory P. Bessert

Any party may change such party's address for notices or copies of notices by giving notice to the other parties in accordance with this Section 0.

9. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

10. Governing Law. This Agreement is executed in and shall be construed under and governed by the laws of the State of Oregon.

11. Severability. In case any one or more of the provisions contained in this Agreement should be held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12. Amendments. No provisions of this Agreement may be amended, modified, supplemented, changed, waived, discharged or terminated, unless Premier consents thereto in writing.

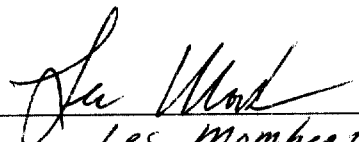
13. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute a duplicate original, but all of which together shall constitute one and the same instrument.

14. Costs of Enforcement. In the event that any party to this Agreement commences any legal action to enforce its rights hereunder as a result of the breach of this Agreement by any other party, the prevailing party in such action shall be entitled to recover all of its costs and expenses in connection therewith, including all reasonable legal fees and costs.

IN WITNESS WHEREOF, the parties have executed this Subordination Agreement as of the date first above written.

LBLM:

LBLM INVESTMENTS, LLC,
an Oregon limited liability company

By: 
Name: Les Mombear
Title: Member

BORROWER:

SOUTHVIEW PROPERTIES, LLC,
an Oregon limited liability company

By: Gregory P. Bessert
Gregory P. Bessert, Manager

STATE OF OREGON)
) ss.
COUNTY OF Deschutes)

The foregoing instrument was acknowledged before me this 27th day of July, 2005, by Les Mombert, as Member of LBLM INVESTMENTS, LLC, an Oregon limited liability company.



Linda S Bafford
Notary Public for Oregon

STATE OF OREGON)
) ss.
COUNTY OF Deschutes)

The foregoing instrument was acknowledged before me this 27th day of July, 2005, by Gregory P. Bessert, as Manager of Southview Properties, LLC, an Oregon limited liability company.



Linda S Bafford
Notary Public for Oregon

EXHIBIT A
to
SUBORDINATION AGREEMENT
(Legal Description of the Property)

Exhibit "A"

Real property in the County of Klamath, State of Oregon, described as follows:

Beginning at the initial point, said point being the Northeasterly corner of Lot 59 of Tract 1416- The Woodlands-Phase 1" a duly recorded subdivision at the Klamath County Clerks Office, said point being a 5/8" rebar with a yellow plastic cap marked "LS 58985"; thence along the Northwesterly boundary of said subdivision the following twenty courses, South 63°38'02" West, 100.00 feet; thence South 63°32'43" West, 52.00 feet; thence South 26°21'58" East, 3.22 feet; thence South 63°38'02" West, 70.01 feet; thence South 26°21'58" East, 5.00 feet; thence South 63°38'02" West, 65.01 feet; thence North 26°21'58" West 10.00 feet; thence South 63°38'02" West, 65.01 feet; thence South 26°21'58" East, 5.00 feet; thence South 63°38'02" West, 70.01 feet; thence South 26°21'58" East, 5.00 feet; thence South 63°35'10" West, 65.01 feet; thence North 26°21'58" West, 10.05 feet; thence South 63°38'02" West, 65.00 feet; thence South 26°21'58" East, 5.00 feet; thence South 63°38'02" West, 70.01 feet; thence South 63°36'54" West, 52.00 feet; thence South 26°21'58" East, 16.34 feet; thence South 63°38'02" West, 100.00 feet; thence South 26°21'58" East, 65.00 feet to the Southwesterly corner of Lot 7 of said subdivision; thence leaving said Northwesterly boundary of the "The Woodlands-Phase 1", South 89°36'23" West, 115.26 feet; thence North 01°04'44" East, 118.46 feet; thence North 89°43'07" West 50.00 feet; thence North 01°04'44" East, 244.01 feet; thence South 89°43'07" East, 30.00 feet; thence North 01°04'44" East 272.34 feet; thence South 88°55'16" East 98.00 feet; thence North 01°04'44" East 13.34 feet to a point of curvature; thence Northeasterly along the arc of a 278.00 foot radius curve to the right, through a central angle of 04°03'23" (the long chord of which bears North 03°06'26" East, 19.68 feet) an arc distance of 19.68 feet; thence South 84°51'53" East, 56.00 feet; thence North 63°38'02" East, 617.64 feet; thence South 26°21'58" East 68.00 feet; thence North 63°38'02" East, 112.78 feet; thence South 26°21'58" East 408.00 feet; thence South 63°38'02" West 278.00 feet; thence South 26°21'58" East a distance of 16.70 feet to the Point of Beginning.

Tax Parcel Number: