

THIS SUBORDINATION AGREEMENT is entered into by and between **LIE TAN** of Medford, Jackson County, Oregon, hereinafter "Lender", and **DOMINIC HERRERA**, of Chiloquin, Klamath County, Oregon, hereinafter "Herrera". The effective date of this agreement shall be the last date of the signature placed hereon of either Lender or Herrera.

**RECITALS:**

**WHEREAS**, Lender has extended credit to **DINO HERRERA, DOMINIC HERRERA, DARREN HERRERA** and **DEREK HERRERA**, hereinafter "Borrower" and lent Borrower the sum of Ten Thousand Dollars (\$10,000) pursuant to the terms of a promissory note dated January 10, 1997, hereinafter "Note"; **WHEREAS**, said note is secured by a deed of trust dated January 10, 1997 and recorded on January 16, 1997, in the Microfilm Records of Klamath County, Oregon, at Volume 197 Page 1385; **WHEREAS**, the real property description in said deed of trust is located in Klamath County, Oregon, and described as follows:

Lots 3 and 4 in Block 6 of **WEST CHILOQUIN**, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

**WHEREAS**, the common street address of said real property is: 120 Wasco Avenue, Chiloquin, Oregon.

**WHEREAS**, Herrera has a claim against the real property for reimbursement for payment of real property taxes paid by Herrera in the sum of **Two Thousand Five Hundred Dollars (\$2,500)** incurred concerning the real property owned by Lou Jean Babe Herrera, hereinafter "Subordinated Indebtedness"; **WHEREAS**, said subordinated indebtedness was claimed pursuant to an Affidavit of Claiming Successor of Small Estate of Intestate Estate in the Circuit Court of the State of Oregon for the County of Klamath, in a case captioned "In the Matter of the Estate of Lou Jean Babe Herrera, Case No. 96-05089-CV"; **WHEREAS**, said affidavit was filed in Circuit Court of Klamath County on December 9, 1996; **WHEREAS**, a pre-requisite and condition of the loan, note and trust deed is and was that said note and trust deed, hereinafter "Lender's Lien", on the real property described above, be and remain superior to the subordinated indebtedness;

**NOW, THEREFORE,** the parties hereby agree as follows:

**1. SUBORDINATION.** The subordinated indebtedness is hereby subordinated in all respects to Lender's lien and it is agreed that Lender's lien shall be and remain, at all times, prior and superior to the lien of the subordinated indebtedness.

**2. REPRESENTATIONS AND WARRANTIES.** Herrera represents and warrants to Lender that he has no other lien, encumbrance, indebtedness or security interest of any kind, which is superior to Lender's lien and covenants, represents and warrants that if such exists, it is by this reference made part of the subordinated indebtedness and subordinated to Lender's lien.

**3. MISCELLANEOUS PROVISIONS.**

3.1 In the event either party shall take any action, judicial or otherwise, concerning this agreement or any of its terms, including any suit for rescission, the prevailing party shall be entitled to recover from the other party all expenses which it may reasonably incur in taking such action, including but not limited to costs incurred in searching records and taking and transcription of depositions, the cost of title reports, surveyors reports and foreclosure reports and attorney fees, whether incurred in a suit or action or appeal from a judgment or decree therein or in connection with nonjudicial action, including the giving by Lender to Herrera of any notice necessitated by Herrera's failure to comply with any terms of this contract.

3.2 No waiver of a breach of any covenant, term or condition of this agreement shall be a waiver of any other or subsequent breach of the same, or any other term, covenant, or condition, or as a waiver of the term, covenant or condition itself; nor shall such waiver require any notice of any kind to be given to reinstate the defaulted term, covenant or condition, or to make time and strict performance again of the essence.

3.3 The paragraph headings herein are intended only as a reference index and shall not control the interpretation or limit or enlarge the meaning of any term of this agreement. In construing this agreement it is understood that Seller and/or Buyer may be more than one person or entity and if the context so requires, the singular shall mean and include the plural, the masculine shall mean and include the feminine and neuter and all grammatical changes shall be made, implied and construed to apply equally to corporations, partnerships and individuals.

3.4 **Severability.** The parties agree that should any provisions, terms or conditions herein be declared by any Court to be invalid, void, unenforceable or illegal, the validity of the remainder of this agreement shall not be affected, impaired or invalidated thereby and shall remain in full force and effect. The rights and obligations of the parties shall be treated, enforced and regarded as if the contract did not contain the provision, term or condition declared invalid, void, unenforceable or illegal.

3.5 This document is the entire, final and complete agreement of the parties and supersedes and replaces all written and/or oral agreements heretofore made or existing, if any, by and between the parties. This document may not be altered, amended, changed or modified unless done in writing and executed by the parties hereto. There are no representations, inducements, promises or agreements, oral or written, other than those set forth in this agreement and it is the intent of the parties that the terms of this agreement shall control over any conflicting provisions of any prior agreement.

DATE: 1/10/97[Signature]  
Lie Tan

"Lender"

DATE: 1/10/97[Signature]  
Dominic Herrera

"Herrera"

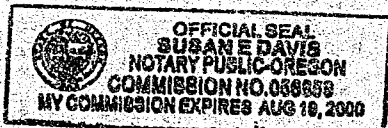
STATE OF OREGON )

County of Klamath )

)ss.

January 10, 1997.

Personally appeared the above named Dominic Herrera and acknowledged the foregoing instrument to be his voluntary act and deed. Before me:



(See \clients\tan\herrera\subord.doc)

Susan E. Davis  
Notary Public for OregonMy Commission Expires: Aug 19, 2000

## - 3 - SUBORDINATION AGREEMENT

STATE OF OREGON : COUNTY OF KLAMATH: )ss.

Filed for record at request of Ameri title the 16th day  
of January A.D., 19 97 at 11:43 o'clock A. M., and duly recorded in Vol. M97  
of Mortgages on Page 1397

FEE \$20.00

by [Signature]  
Bernice G. Leisch, County Clerk