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√ol. <u>^12</u> Page_____

THIS CONTRACT OF SALE OF REAL PROPERTY made as of the 7th day of August, 1972, between GLENN LEE HILYARD and SHIRLEY FAYE HILYARD, husband and wife, hereinafter called Vendor, whose address is 6744 Hilyard Avenue, Klamath Falls, Oregon 97601, and JACK N. MARTIN and LOIS E. MARTIN, husband and wife, hereinafter called Purchaser, whose address is 4036 South Sixth Street, Klamath Falls, Oregon 97601;

WITTNESSETH:

Vendor agrees to sell to Purchaser and Purchaser hereby agrees to buy from Vendor, at the price and on the terms, covenants, conditions and provisions hereinafter contained, all of the following described real property situate in the County of Klamath, State of Oregon, more particularly described as follows, to wit:

The Northwest \$\frac{1}{4}\$ of the Northeast \$\frac{1}{4}\$ of Section 23, Township 39 South, Range 9 East, Willamette Meridian and all that portion of the Southwest \$\frac{1}{4}\$ of the Southeast \$\frac{1}{4}\$ of Section 14, Township 39 South, Range 9 East, Willamette Meridian lying South of the following described line; commencing at the Northeast corner of the Southwest \$\frac{1}{4}\$ of the Southeast \$\frac{1}{4}\$ of said Section 14, thence North 89° 50' West along the centerline of Johns Avenue, 30.00 feet; thence South 0°10' East, 593.06 feet to a point on the West boundary of Homedale Road for the true point of beginning; thence West, 929.26 feet; thence South 0° 01' East, 130.00 feet; thence West, 362.56 feet more or less to the West boundary of the Southwest \$\frac{1}{4}\$ of the Southeast \$\frac{1}{4}\$ of said Section 14. Excepting therefrom that part of the above described tract lying within Homedale Road, containing 61.14 acres, more or less.

SUBJECT TO: 1972-73 taxes and assessments; terms and conditions of special assessment as farm use and the right of Klamath County to additional taxes in the event said use should be changed; mortgage in favor of Federal Land Bank of Spokane, recorded in Volume M-72, page 9245, Records of Klamath County, Oregon; regulations, levies, assessments, and water and irrigation rights and easements for ditches and canals of Klamath Irrigation District; and easements and rights of way of record and apparent thereon.

SPECIAL TERMS, COVENANTS, CONDITIONS AND PROVISIONS

The purchase price of the above described real property is \$90,000.00 payable as follows:

- (a) \$500.00 earnest money, receipt of which is hereby acknowledged.
- (b) \$9,500.00 upon closing, receipt of which is hereby acknowledged.

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(c) \$80,000.00 deferred balance payable by Purchaser, without demand, to the Escrow Holder hereinafter named, as follows:

(1) \$600.00 a month, inclusive of interest at the rate specified in Subparagraph (2) of this Paragraph (c), the first such installment to be paid on the 20 th day of September, 1972, and a like payment on the 30 th day of each month thereafter until the full sum of principal and interest has been paid.

(2) Interest shall commence upon the effective date of this agreement. The initial rate of interest is seven and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain and one-fourth $(7\frac{1}{4}\%)$ percent per annum and shall remain annum and shall remain annum and shall remain annum annum and shall remain annum in effect until the second interest installment date, but on said date, and on any subsequent installment date, if Federal Land Bank of Spokane should establish a higher or lower rate of interest under its mortgage debt, then the Purchaser shall pay to the Seller a higher or lower rate of interest effective on the date that a higher or lower rate of interest is established by the Federal Land Bank of Spokane on its obligation, which higher or lower Bank of Spokane on its obligation, which nigher or lower rate of interest shall apply to the unmatured balance of the deferred balance of the purchase price and which rate the deferred balance of the purchase price and which rate shall remain in effect until a different rate of interest shall remain in effect until a different rate of interest shall be consistent with such different rate of interest shall be consistent with such different rate of interest shall be consistent with the true rate of interest established by the Federal Land Bank of Spokane on its debt as determined according to the Federal Consumer Credit Protection Act and the Federal Truth in Lending Act and regulations issued thereunder, and shall not be applied retroactively. If, for any reason, and shall not be applied retroactively. 11, for any reason said mortgage debt in favor of the Federal Land Bank of Spokane should be paid in full, the interest rate to apply on the then remaining unmatured balance of the deferred on the then remaining unmatured balance of the deferred on the language should be six and compact (61%) parcent per applied to the language should be six and compact (61%) parcent per applied to the language should be six and compact (61%) parcent per applied to the language should be said to the balance shall be six and one-half $(6\frac{1}{2}\%)$ percent per annum from the date of the last interest installment due date.

Purchaser shall have the privilege of increasing any installment or prepaying all or a part of the whole consideration at any time from and after January 1, 1973, but shall not pay more than \$1,300.00 to—and after January 1 addition to the down payment during the calendar year ward principal in addition to the down payment during the calendar year of 1972, inclusive of the amount of principal represented by each monthly installment, unless the full deferred balance, together with accrued installment, is paid in full. The limitations set forth herein shall interest, is paid in full. The limitations set forth herein shall not apply in the event of payments pursuant to the covenants relating to eminent domain hereinafter set forth.

In executing, delivering and accepting this contract, it is mutually agreed that so long as no default shall occur under the terms of this contract, the Seller shall furnish to Purchaser partial conveyances for portions of the real property described herein, pursuant Contract of Sale Page 2

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to the terms and provisions of the paragraph. It is understood and agreed that the parties have agreed to a plan of partial conveyances and compensation therefor consistent with the sums due Seller under this contract, which plan is attached hereto as Exhibit "l". The Seller's obligation to execute partial conveyances, as provided herein, shall be subject to the requirements of any person, firm or corporation having a lien upon the real property described herein superior to the interests of either of the parties hereto. Seller shall be under no obligation to secure the co-operation of any such superior lien holder. All costs of platting and partial conveying shall be paid by Purchaser. It is expressly understood and agreed that this clause shall not be construed for any purpose (including lien priority) as requiring Purchaser to develop the above-described real property for resale. It is further expressly understood and agreed that Purchaser acquires this property subject to any and all governmental statutes and regulations relating to the subdivision and sale of parcels of real property.

Subject to the provisions contained in this agreement, Purchaser shall have the privilege of partial payment to apply on the principal and interest due under this contract in accordance with the foregoing partial release provisions, and the following eminent domain provisions. In addition, Purchaser shall have the privilege of increasing any installment or prepaying all or part of the whole consideration at any time. No partial payment, increased installment nor prepayment shall be credited in lieu of any regular future payment, nor excuse Purchaser from making the regular installments specified in this contract, PROVIDED, HOWEVER, that if Purchaser should become delinquent in any installment due under this contract during the processing of a partial conveyance, the proceeds paid for such a partial conveyance shall be first applied toward the then due installment or installments, as the case may be, second toward accrued interest, if any, and last to reduce the principal. This provision shall not, however, serve as a moratorium for any delinquency for a period

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GENERAL TERMS, COVENANTS, CONDITIONS AND PROVISIONS

The real property above described hereby sold to Purchaser includes all and singular, the tenements, hereditaments, rights, easements, privileges and appurtenances thereunto belonging, or in anywise appertaining, improvements thereon, including, but not limited to, pumps, sprinkler systems, pumping stations, motors, engines, reservoirs, pipes and flumes or other equipment now used for the production of water thereon or for the irrigation or drainage thereof, and the reversions, remainders, rents, issues and profits thereof, together with all the rights to the use of water for irrigating said premises and for domestic use thereon to which Vendor is now entitled, or which are now used on said premises, however the same may be evidenced, and together with all shares of stock or shares of water in any ditch or irrigation company which, in any manner, entitles the Vendor water for irrigating or domestic purposes upon said real property. The Vendor's lien created by this contract shall and does hereby include the real property above described, together with all and singular, the tenements, hereditaments, rights, easements, privileges and appurtenances thereunto belonging or in anywise appertaining, and all improvements now or hereafter thereon, including but not limited to, pumps, sprinkler systems, pumping stations, motors, 20 engines, reservoirs, pipes and flumes or other equipment now or 21 hereafter used for the production of water thereon for the irrigation 22 or drainage thereof, and the reversions, remainders, rents, issues 23 and profits thereof, and together with all the rights to the use of 24 water for irrigating said premises and for domestic use thereon to 25 which said real property is now or may hereafter become entitled, or 26 which now are or may hereafter be used on said premises, however the 27 same may be evidenced, and together with all shares of stock or shares 28 of water in any ditch or irrigation company which in any manner 29 entitles the legal or equitable owner thereof to water for irrigating 30 or domestic purposes upon said real property. In addition, Purchaser 31

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hereby agrees that the Vendor's lien is superior to any and all rights of Purchaser under and by virtue of any homestead, stay or exemption laws now in force, or which may hereafter become laws and that no timber will be cut from any of the real property subject to said lien.

Vendor hereby warrants that he has good and merchantable title to the real property above described, subject to the exceptions above set forth. Vendor will, upon execution hereof, make and execute in favor of Purchaser, a good and sufficient Warranty Deed conveying said premises free and clear as of this date of all encumbrances, subject to the above set forth exceptions, and will place said deed, together with the original of this agreement, and any other conveyances or title or security instruments required hereby in escrow at South 6th Street Branch, First National Bank of Oregon, Klamath Falls, Oregon 97601, with instructions to said Escrow Holder that when and if the Purchaser shall have paid the balance of the purchase money and interest as above specified and shall have complied with all other terms and conditions of this agreement, to deliver the same to Purchaser subject to the usual printed conditions and provisions of the standard form of escrow instructions provided by said Escrow Holder.

Vendor shall furnish, at his own expense, an Owner's

Title Insurance Policy issued by Transamerica Title Insurance Co.

under Order No. 28-2795 insuring Purchaser's title in the above
described real property in the amount of \$ 90,000.00 subject
to the above set forth exceptions and the printed conditions and
exceptions contained in the usual form of title policy issued by said
title insurance company and shall deposit said policy with the above
named Escrow Holder to be held in escrow for delivery to Purchaser
along with Vendor's Warranty Deed according to the terms herein
specified.

Purchaser shall be entitled to possession of the above described real property on date hereof. Purchaser shall remain in possession so long as Purchaser is not in default hereunder. Purchaser shall

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proceeds applied to the sums secured by this contract, Vendor will join in any conveyance required by the governmental agency or entity acquiring a portion or all of the real property described herein by eminent domain, but Vendor shall not be required to partially convey more property than that which is acquired by such government agency or entity. Vendor shall not be obligated to participate in any negoriations with such governmental agency or entity. Any notice or notices required to be given by Purchaser to Vendor pursuant hereto shall be in writing and shall be deemed given when the same is deposited in the United States Mail, as certified mail, postage prepaid, addressed to Vendor at the last address of Vendor shown on the records of the

Vendor may appear in or defend any action or proceeding at law, in equity, or in bankruptcy affecting in any way the security hereof, and in such event, Vendor shall be allowed and paid, and Purchaser hereby agrees to pay all costs, charges and expenses including costs of evidence of title or validity and priority of the security and attorney's fees in a reasonable sum, incurred in any such action or proceeding in which Vendor may appear, which shall bear interest at ten (10%) percent from date of demand therefor. Failure of Purchaser to pay Vendor for such costs, charges and expenses within 90 days from date of demand therefor shall constitute a breach of this contract. The above described real property is subject to a mortgage lien in favor. of Federal Land Bank of Spokane securing a debt in the original principal sum of \$35,000.00, plus interest, which mortgage is recorded in Vol. M-72, page 9245, Mortgage Records of Klamath County, Oregon. Vendor agrees to hold Purchaser harmless from said mortgage lien and underlying obligations and to pay and perform the terms thereof as provided in said mortgage and the note secured thereby. If Vendor neglects or fails to pay the sums due or to become due under the note secured by said mortgage, or fails to perform any of the terms, covenants, and conditions of said mortgage, and said failure is not occasioned Contract of Sale

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and hereby agrees to keep said real property in clean, sanitary, sightly, attractive condition; to commit no waste or otherwise damage or injure said premises; to maintain said premises in accordance with the laws and the ordinances and regulations of any constituted authority applying to said premises and to make up no unlawful use thereof; to pay regularly and seasonably, and before the same shall become delinquent, all taxes, assessments, and charges of whatever nature (including additional charges by reason of change of use) levied and assessed against said real property, and to pay and discharge all encumbrances thereafter placed thereon by Purchaser; to permit no lien or other encumbrances to be filed upon or placed against said premises without the written consent of Vendor; and it is further understood and agreed for the purposes of this provision that if Purchaser fails to pay or discharge any taxes, assessments, liens, encumbrances, or charges, Vendor, at his option and without waiver of default or breach of Purchaser, and without being obliged to do so, may pay or discharge all or any part thereof all of which said sums so paid by Vendor shall become repayable by Purchaser, together with interest at the rate of ten (10%) percent per annum, upon demand, payment of which is part of the performance of this agreement by Purchaser and a condition precedent to delivery of the Warranty Deed and other documents by the Escrow Purchaser agrees to keep the buildings now on or hereafter placed

upon the above-described real property insured against loss by fire or upon the above-described real property insured against loss by fire or other casualty in an amount not less than insurable value and shall obtain, at his expense, said insurance in the name of Vendor as the primary insured, with an endorsement thereon providing for loss payable to Vendor, Federal Land Bank of Spokane, and Purchaser as their respective interests may appear. If a loss should occur for which insurance proceeds shall become payable, the Purchaser may, subject to the rights of the Federal Land Bank of Spokane, elect to either rebuild or repair the portion of the building so destroyed, or apply the proceeds to payment of the then unpaid balance of the purchase Contract of Sale

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money. If the Purchaser elects to rebuild, he shall sign such documents as may be necessary to guarantee the application of the insurance proceeds to the cost of such rebuilding or repair. If the Purchaser elects to apply the insurance proceeds toward payment on this contract, any amount received by Vendor under any such insurance in payment of a loss shall be applied upon the unpaid principal balance of the purchase price and shall reduce said unpaid principal balance to the extent of the amount of the insurance payment received by Vendor.

If Federal Land Bank of Spokane should elect to require application of the insurance proceeds toward payment on its mortgage security, Vendor shall give Purchaser credit toward payment on this contract.

In the event any governmental agency or entity having the power of eminent domain acquires by eminent domain, or by negotiated sale in lieu of eminent domain, all, or any portion, of the real property described in this contract, Vendor may require Purchaser to apply all proceeds received by Purchaser from such acquisition (remaining after payment by Purchaser of attorney fees, appraiser fees, and related necessary and reasonable costs in connection with securing said proceeds) which proceeds are hereinafter called "net proceeds" toward the payment of the sums secured by this contract. Upon receipt of said net proceeds, Purchaser shall notify Vendor of the amount of said net proceeds and Vendor shall, within ten (10) days after such notification, notify Purchaser in writing if Vendor elects to have said net proceeds applied toward payment of the sums secured by this contract. If Vendor fails to so notify Purchaser of such election, Vendor shall conclusively be deemed to have elected not to require Purchaser to apply said net proceeds toward the sumssecured by this contract. If Vendor elects to have said net proceeds applied toward payment toward the sums secured by this contract, the amount to be received by Vendor shall not exceed the total of the principal plus accrued interest to the date of receipt thereof by Vendor, and all such sums shall be paid to the Escrow Holder named herein. Regardless of whether Vendor elects to have said net Contract of Sale Page 8

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proceeds applied to the sums secured by this contract, Vendor will join in any conveyance required by the governmental agency or entity acquiring a portion or all of the real property described herein by eminent domain, but Vendor shall not be required to partially convey more property than that which is acquired by such government agency or entity. Vendor shall not be obligated to participate in any negotiations with such governmental agency or entity. Any notice or notices required to be given by Purchaser to Vendor pursuant hereto shall be in writing and shall be deemed given when the same is deposited in the United States Mail, as certified mail, postage prepaid, addressed to Vendor at the last address of Vendor shown on the records of the Escrow Holder.

Vendor may appear in or defend any action or proceeding at law, in equity, or in bankruptcy affecting in any way the security hereof, and in such event, Vendor shall be allowed and paid, and Purchaser hereby agrees to pay all costs, charges and expenses including costs of evidence of title or validity and priority of the security and attorney's fees in a reasonable sum, incurred in any such action or proceeding in which Vendor may appear, which shall bear interest at ten (10%) percent from date of demand therefor. Failure of Purchaser to pay Vendor for such costs, charges and expenses within 90 days from date of demand therefor shall constitute a breach of this contract. The above described real property is subject to a mortgage lien in favor. of Federal Land Bank of Spokane securing a debt in the original principal sum of \$35,000.00, plus interest, which mortgage is recorded in Vol. M-72, page 9245, Mortgage Records of Klamath County, Oregon. Vendor agrees to hold Purchaser harmless from said mortgage lien and underlying obligations and to pay and perform the terms thereof as provided in said mortgage and the note secured thereby. If Vendor neglects or fails to pay the sums due or to become due under the note secured by said mortgage, or fails to perform any of the terms, covenants, and conditions of said mortgage, and said failure is not occasioned Contract of Sale Page 9

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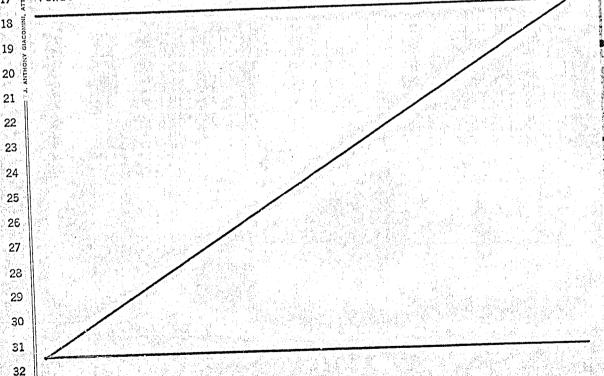
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by reasons of any default on the part of Purchaser, Vendor agrees to pay to Purchaser all sums paid or incurred by Purchaser in protecting Purchaser's rights acquired by this contract, including, but not limited to, costs, charges and expenses, including costs of evidence of title, or validity of Purchaser's interest in said real property, and reasonable attorney's fees at trial, or on appeal, incurred by Purchaser; which sums shall bear interest at the rate of ten (10%) percent per annum from date of demand therefor. If Vendor fails to pay Purchaser the sums due Purchaser under this provision of this contract within 90 days from date of demand therefor, Purchaser shall be entitled to institute such suit or action as may be necessary to recover the sums due Purchaser under this provision of this contract and to pursue such other remedies as may be allowed by law or by equity under the premises.

If Purchaser shall fail to perform any of the terms of this agreement, time of payment and performance being of the essence, Vendor shall, at his option, subject to the requirements of notice



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as herein provided, have the following rights:

- (a) To foreclose this contract by strict foreclosure in equity;
- (b) To declare the full unpaid balance of the purchase price immediately due and payable;
- (c) To specifically enforce the terms of this agreement by suit in equity; and
- (d) To declare this greement null and void as of the date of the breach and to retain as liquidated damages the amount of the payments heretofore made upon said premises. Under option (d) all of the rights, title and interest of Purchaser shall revert and revest in Vendor without any act of re-entry or without any other act by Vendor to be performed, and Purchaser agrees to peaceably surrender the premises to Vendor, or in default thereof, Purchaser may, at the option of Vendor, be treated as a tenant holding over unlawfully after the expiration of a lease and may be ousted and removed as such.

Purchaser shall not be deemed in default for failure to perform any covenant or condition of this contract, other than the failure to make payments as provided for herein, until notice of said default has been given by Vendor to Purchaser and Purchaser shall have failed to remedy said default within 30 days after the giving of the notice.

If Purchaser shall fail to make payments as herein provided and said failure shall continue for more than 30 days after the payment becomes due, Purchaser shall be deemed to be in default and Vendor shall not be obligated to give notice to Purchaser of a declaration of said default.

Where notice in writing is required by Vendor to the Purchaser, such notice shall be deemed given when the same is deposited in the United States mail as Registered Mail, addressed to the address of Purchaser shown at the beginning of this agreement.

No waiver by Vendor of any breach of any covenant of this agreement shall be construed as a continuing waiver of any subsequent breach of such covenant nor as a waiver of any breach of any other covenant nor as a waiver of the covenant itself.

In the event any suit or action is commenced to foreclose this

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contract, the court having jurisdiction of the case may, upon motion by Vendor, appoint a receiver to collect the rents and profits arising out of the above described real property and to take possession, management and control of the same during pendency of such foreclosure proceeding or until payment of the obligations hereby secured, and apply said rents and profits to the payment of the amount due hereunder, first deducting all proper charges and expenses attending the execution of said receivership.

Upon the commencement of any suit or action to collect the indebtedness or disbursements, secured hereby, or any part thereof, or to enforce any provision of this contract by specific performance, foreclosure, or otherwise, there shall become due, and Purchaser agrees to pay to Vendor, in addition to all statutory costs and disbursements, any amount Vendor may incur or pay for any title report, title search, insurance of title, or other evidence of title subsequent to the date of this contract on any of the real property above described and this contract shall be security for the payment

In the event any suit or action is instituted to collect the indebtedness or disbursements secured hereby, or any part thereof, or to enforce any provision of this contract by specific performance, or foreclosure, or otherwise, the prevailing party, at trial, or on appeal, shall be entitled to such reasonable attorney's fees as shall be fixed by the court having jurisdiction of the case, in addition to statutory costs and disbursments.

This agreement contains the full understanding of the parties with respect to the subject hereof and no modification hereof shall be given effect unless the same be in writing subscribed by the parties hereto or their successors in interest.

This agreement shall bind and inure to the benefit of, as the circumstances may require, the parties hereto, and their respective successors, heirs, executors, administrators and assigns.

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