

THIS LEASE-OPTION, Made and entered into this 26th day of December, 1979, by and between ROBERT V. JOHNSTON, herein called "lessor", and CLIFFORD HONEYCUTT and PATRICIA HONEYCUTT, husband and wife, herein called "lessees";

W I T N E S S E T H:

Lessor does hereby let, lease and demise unto lessees upon the terms and for the time hereinafter set forth the following-described real property, situated in Klamath County, Oregon, to-wit:

Lots 67 and 68, BALSIGER TRACTS, according to the duly recorded plat thereof on file in the office of the County Clerk of Klamath County, Oregon,

at and for the monthly rental of \$100.00, payable in advance on or before the 1st day of each month during the term of this lease.

The term of this lease shall be from January 1, 1980, to and including December 31, 1986.

Lessees covenant and agree that they will, during the term of this lease, or any extension thereof, use said premises only for parking of automobiles for customers of Inge's Cheese Haus; keep said premises and all improvements thereon in good condition and strictly obey all County and State ordinances, statutes, rules and regulations affecting said premises; will be responsible for all snow removal; will not commit any waste or permit any nuisance to remain on said premises and will not permit any lien or assessment to be levied against said premises which would or might be superior to the interest of lessor therein.

Lessees agree to indemnify and hold lessor harmless of and from all claims, charges, damages and costs, including lessor's reasonable attorney fees, arising out of any personal injury, including death, or damage to property occurring upon or in connection with the use of said premises by lessees, their customers, agents or employees. Lessees may, in full performance of this provision, provide and maintain liability insurance with limits of not less than \$300,000.00-\$500,000.00 for personal injury and not less than \$50,000.00 for property damage, with lessor named as an additional insured.

If lessees, at any time, shall be in default in the payment of rent herein reserved or in the performance of any of the covenants, terms and provisions of this lease and lessees shall fail to remedy such default within 30 days after written notice thereof from lessor, it shall be lawful for lessor to enter upon said premises and repossess the same as if this lease had not been made, and thereupon this lease and everything herein contained on the part of lessor to be done and performed shall cease and determine without prejudice, however, to the right of lessor to recover from lessees all rental due up to the time of such re-entry. In case of any such default and re-entry by lessor, said lessor may relet said premises for the remainder of said term for the highest rent obtainable and may recover from lessees any deficiency between the amount so obtained and the rent herein reserved.

In further consideration of the premises and as an inducement to lessees to purchase the adjoining business known as Inge's Cheese Haus from lessor's wife, Lieselotte Johnston, lessor does hereby grant to lessees the sole and exclusive right and option to purchase the above-described premises upon the following terms and conditions.

The foregoing option shall be exercised only upon payment in full of all money owed by lessees to Lieselotte Johnston for the purchase of the business known as Inge's Cheese Haus under that certain Exchange and Security Agreement dated December 26, 1979, but said option shall not be exercised prior to January 1, 1982. Lessees shall give lessor not less than 30 days' prior written notice of their intent to exercise said option.

Upon receipt of notice of intent to exercise this option, the parties shall meet and agree upon the then fair market value of said premises. In the event the parties cannot agree as to the value thereof within 30 days following the date of notice of election to exercise said option, they shall designate by mutual agreement a licensed real estate appraiser who is a member of the American Institute of Real Estate Appraisers to determine the fair market value of said premises. The appraiser shall take into consideration in making such decision, among other things, the current sales of similar properties, the availability of similar properties in the immediate area of the demised premises and the demographic character of the community. In the event the parties cannot agree on the appointment

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of such appraiser within 40 days of the date of notice of election to exercise said option, they shall each designate a qualified appraiser who in turn will appoint a third appraiser and the agreement of any two of the appraisers so appointed shall be binding upon the parties hereto.

The fees and expenses of the appraiser or appraisers will be borne equally between lessor and lessees.

In the event of lessees' exercising said option, the purchase price shall be payable upon terms to be mutually agreed upon or said purchase price may be made by exchange of properties in the event lessees have other similar properties acceptable to lessor which they wish to trade. If the terms of payment cannot be agreed upon, the purchase price shall be payable in cash and in not more than 90 days from the date of lessees' written notice of intent to exercise said option.

It is further agreed that in the event lessees exercise said option, they shall have a credit against the purchase price for said premises in the full amount of all rental payments paid to lessor hereunder up to but not exceeding a total credit of \$4,800.00.

This option is given on the following express conditions:

(a) It is the intent of the parties that ownership of the demised premises shall remain with the owner of the adjoining business known as Inge's Cheese Haus and that the option given herein shall go with and not be separated from the ownership of said business.

(b) That lessees consummate and fully perform all agreements for the purchase of the adjoining business known as Inge's Cheese Haus.

(c) This option will terminate without notice and without any act necessary on the part of lessees in any of the following events: (1) lessees are in default in the performance of any obligation on their part to be kept and performed in connection with the agreement for the purchase of the business known as Inge's Cheese Haus from Lieselotte Johnston; (2) in the event lessees shall assign or transfer their interest in the business known as Inge's Cheese Haus or any part thereof separate from the assignment of said option; (3) the filing by or against lessees of any insolvency proceedings.

(d) In the event of the happening of any of the events mentioned in
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Paragraph (c) above, the lease agreement and all rights created under the foregoing option to purchase shall immediately terminate and be of no further force and effect.

Any notice required by the terms of this agreement shall be sent by United States certified mail, postage fully prepaid, to the parties at the addresses below or at such other address as either shall hereafter designate in writing to the other, or shall be personally delivered to the other party. Such notice shall be deemed to be sent as of the date deposited at the United States Post Office or the date personally delivered.

IN WITNESS WHEREOF, the parties hereto have caused this Lease-Option to be executed the day and year first hereinabove written.

Lessor's Address:

3725 Madison
Klamath Falls, Oregon 97601

Richard W. Johnston
Lessor

Lessees' Address:

P. O. Box 382
Klamath Falls, Oregon 97601

Clifford Honeycutt
Patricia Honeycutt

STATE OF OREGON; COUNTY OF KLAMATH; ss.
Filed for record at request of O. W. Goakey, Atty.
this 14th day of February A. D. 1980 at 4:32 clock P M., and
fully recorded in Vol. M80, of Deeds on Page 3053
Fee \$14.00
By Wm D. MILNE, County Clerk
Bernetha Heltsch

Return to:

O. W. Goakey
431 Main St.
Klamath Falls, OR 97601