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LEASE AND OPTION AGREEMENT

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THIS AGREEMENT made and entered into this 6 day of February, 1980, by and between REGIS V. ANDRIEU and DORIS J. ANDRIEU, husband and wife, of Klamath County, Oregon, hereinafter called Lessors, and DANIEL D. THORNTON and JULIET E. THORNTON, husband and wife, of Klamath County, Oregon, hereinafter called Lessees,

W I T N E S S E T H:

In consideration of the covenants herein contained to be kept and performed by the Lessees, Lessors do hereby lease, demise and let unto the said Lessees the following described premises situated in the County of Klamath, State of Oregon, to-wit:

The W $\frac{1}{2}$ E $\frac{1}{2}$ of Section 29, Township 40 South, Range 9, E.W.M.

ALSO The E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 32, Township 40 South, Range 9, E.W.M.

SUBJECT TO: Reservations, restrictions, rights of way of record and those apparent on the land.

for a term beginning the 1st day of January, 1980, and extending to and including the 1st day of January, 1985, at and for the rental of \$9,600.00 per year during said term payable in lawful money of the United States to the order of Lessors at P. O. Box 32, Midland, Oregon 97634, or such other address as may be given by Lessors to Lessees from time to time as follows: \$9,600.00 on the 1st day of January, 1981; \$9,600.00 on the 1st day of January, 1982; \$9,600.00 on the 1st day of January, 1983; \$9,600.00 on the 1st day of January, 1984; and \$9,600.00 on the 1st day of January, 1985.

The respective parties hereto agree to the following terms and conditions:

- (1) Lessees expressly agree to pay said rents at the times

.and place aforesaid.

(2) Lessees agree to, at all times during the term of this lease, farm the premises in a husbandlike manner.

(3) Lessees agree to make no unlawful or offensive use of said premises, not to suffer or permit any waste or strip thereof and to comply with all laws, ordinances and regulations of any public authority respecting the use of said premises.

(4) Lessees agree to promptly pay for all power and other services or utilities used on said premises except water.

(5) In the event that agricultural use tax deferment status on said premises is removed and said removal is attributable, directly or indirectly, to the occupancy and use of said premises by Lessees, then Lessees shall indemnify Lessors for all damages resulting from such status change.

(6) Lessees agree to keep said premises, including but not limited to fences, at all times in good repair and to pay for all repairs on said premises during the term of this lease.

(7) Lessees agree not to commit, permit or create any nuisance on said premises.

(8) Lessees agree to permit Lessors, their agents and representatives at any reasonable time to enter said premises for the purpose of examining the condition thereof.

(9) Upon expiration of said term or sooner termination of this lease, Lessees agree to quit and deliver up said premises to Lessors peaceably and quietly and in as good order and condition, reasonable use and wear thereof excepted, as the same were in when possession was transferred to Lessees, and fences shall be in good condition except as

otherwise provided herein.

(10) Lessees agree at their own expense to keep, maintain, keep in effect, furnish and deliver to Lessors evidence of liability insurance policies in form and with an insurer satisfactory to Lessors insuring both Lessors and Lessees against all liabilities for damage to person or property in or about said leased premises at all times during the term hereof. The amount of said liability insurance shall not be less than \$_____ for injury to one person, \$_____ for injuries rising out of any one accident and not less than \$_____ for property damage.

(11) Lessors agree to pay real property taxes levied upon said premises and irrigation water use charges.

(12) Time is of the essence of this lease, and if said rent shall be in arrears for thirty (30) days or if Lessees shall neglect or fail to do or perform the covenants herein contained within sixty (60) days after the same become due, then Lessees shall have thirty (30) days following written notice from Lessors in which to correct the defect. Thereafter, without further notice, Lessors may immediately, or at any time while said default continues, enter upon said premises and repossess the same, expel the Lessees and remove their effects at Lessees' expense, forcibly if necessary, without being taken or deemed guilty in any manner of trespassing and without prejudice to any other remedies which might otherwise be used for arrears of rent or breach of covenant. In the event of any such default, all notices required by law are hereby expressly waived by the Lessees.

(13) All repairs, additions, improvements and alterations in and to said premises made by Lessees shall be and become the property

of Lessors as soon as made.

(14) Any holding over by Lessees after the expiration of this lease shall be deemed a tenancy from month to month only, terminable at the will of either party hereto.

(15) In the event that suit or action be instituted by either party to enforce any rights under this lease or for any matter in any way arising out of this lease, including appeals to appellate courts, it is agreed that the prevailing party in such suit or action shall recover in addition to costs and disbursements such further sum as to the Court may be deemed reasonable as attorney fees.

* * * * *

OPTION TO LEASE

(1) Lessees, at the end of the term of this lease, shall have the option to purchase the aforementioned property, consisting of approximately 240 acres, together with the following described property, consisting of approximately 560 acres, to-wit:

The SW $\frac{1}{4}$ of Section 29, Township 40 South, Range 9, E.W.M.

ALSO The NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 32, Township 40 South, Range 9, E.W.M.

ALSO Pors of lots 2, 5, and 9, Sec 28 T 40 S, R 9 EWM: Bg at the $\frac{1}{4}$ sec cor comm to Secs 21 & 28; th S 0° 6.25' W 1326.8' alg the N-S cl of the sd Sec 28 to a pt in the cl of the Lower Klamath Lake Co. Rd. as the same is presently located and constructed; th S 64° 41' E alg the cl of sd Co. Rd. 362.7' to the pob; th S 0° 17' W 211.3' to the cl of a well; th S 0° 17' W 274.4' to an ip; th S 74° 59.25' E 502.5' to an ip; th N 0° 9.25' E 400.00 to an ip; th N 0° 9.25' E 31.2' to a pt in the cl of sd Co. Rd.; th N 69° 35' W alg the cl of sd Co. Rd. 467.4' to a pt; th N 64° 41' W 50.3' m/l to the pob;

ALSO The W $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NW $\frac{1}{4}$ of sec 29, T 40 S R 9

EWM; bg at the NWly cor of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec 29, from wh the monum markng the NW cor of sd Sec 29 bears N 0° 39.25' W 1320.7' dist; th S 0° 39.25' E alg the Wly li of sd Sec 29 1320.7' to a pt; th S 89° 52.25' E 3418.4' to a pt fr wh an ip bears S 0° 7.25' E 19.3' dist; th N 0° 7.25' W 1302.2' to an ip; th N 0° 7.25' W 16.5' to a pt; th N 89° 50.25' W 686.1' to a pt; th N 89° 50.50' W 2744.6' m/l to the pob.

ALSO Por of Lots 2,5,6,8 & 9 Sec 28, T 40 S, R 9 EWM/ Bap on the N-S cl of Sec 28, T 40 S, R 9 EWM, and in the cl of the Lower Klamath Lake Co. Rd. as the same is presently located and constructed, and from wh pt the $\frac{1}{4}$ sec cor comm to Secs 21 and 28 bears N 0° 06 $\frac{1}{4}$ ' E 1326.8' dist; th S 0° 06 $\frac{1}{4}$ ' W 221.4'; th N 72° 11' W 58.9 to the cl of the Klamath Drainage District N Cnl as the same is presently located and constructed; th S 0° 06' W alg the cl of sd cnl 286.7' to a pt; th leaving the cl of sd cnl S 68° 30 3/4' E 25.6' to an ip; th S 68° 30 3/4' E 385.8' to an ip; th N 0° 17' E 274.4' to the cl of a well; th N 0° 17' E 211.3' to the cl of the sd Co. Rd.; th N 64° 41' W alg the cl of sd Co. Rd. 362.7' m/l to the pob;

ALSO Those por of the SW $\frac{1}{4}$ NW $\frac{1}{4}$. Lot 6 & 8. Sec 28, ly Sly and Wly of the cl of the Klamath Drainage District N Cnl. and the SW $\frac{1}{4}$ NE $\frac{1}{4}$ and E $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec 29, all in T 40 S, R 9 EWM/ Bap on the sec li comm to Secs 28 & 29 at the NE cor of the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of sd Sec 29, from wh the sec cor comm to Secs 20, 21, 28 & 29 bears N 0° 12 $\frac{1}{2}$ ' E 1317.5' dist; th N 89° 50 $\frac{1}{4}$ ' W 2058.3' to a pt; th S 0° 07 $\frac{1}{4}$ ' E 165.5' to an ip; th S 0° 07 $\frac{1}{4}$ ' E 1302.2' to a pt from wh an ip bears S 0° 07 $\frac{1}{4}$ ' E 19.3' dist; th S 89° 52 $\frac{1}{4}$ ' E 2050.9' to the $\frac{1}{4}$ sec cor comm to the sd Secs 28-29; th in Sec 28, S 89° 48 $\frac{1}{2}$ ' E 2643.9' to the center $\frac{1}{4}$ sec cor of sd Sec 28; th N 0° 06 $\frac{1}{4}$ ' E alg the N-S cl of sd Sec 28 620.8" to pt on the cl of the Klamath Drainage District N Cnl; th fol th cl of sd cnl N 89° 54 $\frac{1}{2}$ ' W 56.0 to a pt; th N 0° 06' E 485.2' to a pt; th N 72° 11' W 500.9' to a pt; th S 87° 52 $\frac{1}{2}$ ' W 667.5 to pt; th N 78° 02 $\frac{1}{2}$ ' W 403.3' to a pt; th N 39° 28' W 6.4; to a pt; th leaving the cl of sd cnl N 89° 49 $\frac{1}{4}$ ' W 1042.7' m/l to the pob.

SUBJECT TO: Reservations, restrictions, rights of way of record and those apparent on the land.

to include all farming equipment presently owned by Lessors, and any replacements made thereto, for the purchase price of \$480,000.00 lawful money of the United States, payable as follows: \$48,000.00 on the 15th day of March, 1986, plus interest at the rate of four percent (4%) per annum and \$48,000.00 plus interest at the rate of four percent (4%) per annum on the 15th day of March each and every year thereafter until paid in full. Payment schedule shall be as follows:

<u>PAYMENT</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>BALANCE</u>
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# 1 - \$67,200.00	\$48,000.00	\$19,200.00	\$480,000.00
# 2 - \$65,280.00	\$48,000.00	\$17,280.00	\$432,000.00
# 3 - \$63,360.00	\$48,000.00	\$15,360.00	\$384,000.00
# 4 - \$61,440.00	\$48,000.00	\$13,440.00	\$336,000.00
# 5 - \$59,520.00	\$48,000.00	\$11,520.00	\$288,000.00
# 6 - \$57,600.00	\$48,000.00	\$ 9,600.00	\$240,000.00
# 7 - \$55,680.00	\$48,000.00	\$ 7,680.00	\$192,000.00
# 8 - \$53,760.00	\$48,000.00	\$ 5,760.00	\$144,000.00
# 9 - \$51,840.00	\$48,000.00	\$ 3,840.00	\$ 96,000.00
#10 - \$49,920.00	\$48,000.00	\$ 1,920.00	\$ 48,000.00
			\$ -0-

The down payment is to be represented by seventy-five percent (75%) of each of the \$9,600.00 annual lease payments for a total down payment credit in the sum of \$36,000.00.

(2) Time is of the essence hereof, and this option shall be null and void and of no force or effect unless exercised by Lessees during the term of this lease by notifying Lessors as herein provided.

(3) This lease and option agreement shall bind and inure to the benefit of and as circumstances may require, not only to the immediate parties hereto but to their respective heirs, executors and administrators, the successors and assigns of Lessors, and so far as the terms herein

permit assignment, the successors and assigns of Lessees as well.

(4) The said Lessors have the right to live on the above-described premises in their mobile home for as long as they both shall be living.

(5) The said Lessees have the right to the above option of this lease immediately should something happen to the Lessor, Regis V. Andrieu, which would leave him incapable of farming.

(6) In construing this lease and option agreement, it is understood that Lessors and Lessees, one or both of them, may be more than one person or a corporation and that, therefore, if the context so requires, the singular pronoun shall be taken to mean and include the plural, masculine and feminine gender, and generally all grammatical changes shall be made, assumed and applied to make the provisions hereof apply equally to corporations and to more than one individual.

(7) In the event that suit or action be instituted by either party to enforce any rights under this option, or for any matter in any way arising out of this option, including appeals to appellate courts, it is agreed that the prevailing party in such suit or action shall recover in addition to costs and disbursements, such further sum as the Court may deem reasonable as attorney fees.

(8) The meaning and legal effect of all provisions in this lease and option agreement shall be determined by the laws of the State of Oregon.

LESSORS:

Regis V Andrieu
Doris J Andrieu

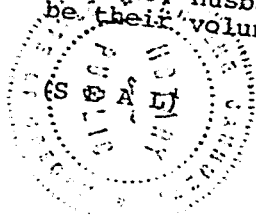
LESSEES:

Daniel D. Bunker
Juliet E. Thornton

STATE OF OREGON)
County of Klamath) ss.

10375

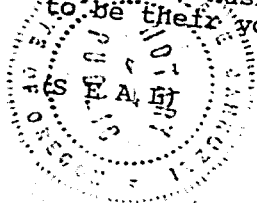
Before me this 6 day of February, 1980,
personally appeared the above-named REGIS V. ANDRIEU and DORIS J.
ANDRIEU, husband and wife, and acknowledged the foregoing instrument to
be their voluntary act and deed.



Robert J. Janssen
Notary Public for Oregon
My Commission Expires: 4-10-82

STATE OF OREGON)
County of Klamath) ss.

Before me this 6 day of February, 1980,
personally appeared the above-named DANIEL D. THORNTON and JULIET E.
THORNTON, husband and wife, and acknowledged the foregoing instrument
to be their voluntary act and deed.



Robert J. Janssen
Notary Public for Oregon
My Commission Expires: 4-10-82

Parker & Rathjff
228 N 7th St
K. Falls Or

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record .

this 11 day of August A.D. 19 82 at 3:58 o'clock P.M., and
duly recorded in Vol. MB2 of Deeds on page 10368

Fee \$32.00

By Joyce McQuinn
EV. LYN BIEHN, County Clerk