

This Agreement of Lease and Option to Purchase made and executed by the parties this 12th day of July, 1985, between Jack H. Von Achen and Phoebe I. Von Achen, husband and wife, hereinafter referred to as Lessor and Michael K. Knoke and Gwendolyn Knoke, husband and wife, hereinafter referred to as Lessee,

## W I T N E S S E T H:

Lessor leases to Lessee the property located in Klamath County, Oregon, leagally described as follows, to-wit:

"Lot 22, Tract # 1038 Resubdivision of Lots 10-15 Block 1, Midland Hills Estates, according to the official plat thereof on file with the Clerk of Klamath County, Oregon."

TOGETHER WITH range/oven, dishwasher (non-functioning), woodstove, carpets and drapes.

## SUBJECT TO:

- 1) Contracts and/or liens for irrigation and/or drainage, the schedule of exclusion from coverage, together with any schedules contained in standard title policies, reservations, easements, restrictions and rights of way of record and those apparent on the land.
- 2) THIS INSTRUMENT DOES NOT GUARANTEE THAT ANY PARTICULAR USE MAY BE MADE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT. A BUYER SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.
- 1) TERM: The term of this lease shall commence July 12, 1985 and continue through December 31, 1985.
- 2) POSSESSION: Lessee's right of possession and obligations under this lease shall commence on August 10, 1985, or on such later date as the premises is available for possession by the Lessee if possession is not given on the opening day of the term.
- 3) RENT: Lessor has received from Lessee the sum of \$100.00 as a non-refundable option fee, disposition of which shall be governed by paragraphs 20 and 28 hereinafter.
  - a) Lessee shall pay Lessor as rent the maximum of ONE THOUSAND EIGHT HUNDRED AND NO/100 (\$1,800) DOLLARS, payable in the following manner: Lessee shall pay to Lessor the sum of TWO HUNDRED AND NO/100 (\$200.) DOLLARS on the date of closing for the period from August 10, 1985 until August 25, 1985; Lessee shall be further required to pay to Lessor the sum of FOUR HUNDRED AND NO/100s (\$400) DOLLARS due and payable on or before the 25th day of each month thereafter until november 15, 1985, when the remaining amount owing shall be due and payable.

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- 4) ADDRESS FOR PAYMENT: Payments of rent shall be made to Lessor or his authorized agent at the following address:

Mountain Title Company  
407 Main Street  
Klamath Falls, OR 97601

In the event rent is not paid within five (5) days after due date, Lessor agrees to pay a late charge of \$10.00. Lessee further agrees to pay \$5.00 on each dishonored bank check.

- 5) UTILITIES: Lessee shall be responsible for the payment of all utilities and services.
- 6) USE: The premises shall be used as a residence dwelling with no more than three adults and three children, and for no other purpose without the prior written consent of the owner.
- 7) ORDINANCES AND STATUTES: Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the use of the premises.
- 8) ASSIGNMENTS AND SUBLETTING: Lessee shall not assign this agreement or sublet any portion of the premises without prior written consent of the Lessor which may not be unreasonable withheld.
- 9) MAINTENANCE, REPAIRS OR ALTERATIONS: Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense, and at all times, maintain the premises in a clean and sanitary manner including all equipment, appliances, and furnishings therein, and shall surrender the same at termination hereof in as good a condition as received, normal wear and tear excepted. Lessee shall be responsible for damages caused by his negligence and that of his family or invitees and guests. Lessee may paint, paper or otherwise re-decorate or make alterations to the premises without the prior written consent of the Lessor. Lessee shall irrigate and maintain any surrounding grounds, including lawns and shrubbery, and keep the same clear of rubbish or weeds, if such grounds are part of the premises and are exclusively for the use of the Lessee.
- 10) ENTRY AND INSPECTION: Lessee shall permit Lessor to enter the premises at reasonable times and upon reasonable (minimum 48 hours) notice for the purpose of making necessary or convenient repairs.
- 11) INDEMNIFICATION: Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the premises or any part thereof, or in common areas thereof, unless such damage is the proximate result of the negligence or unlawful act of Lessor, his agents or his employees. Lessee agrees to hold Lessor harmless from any claims for damages no matter how caused, except for injury or damages for which Lessor is legally responsible.

- 12) **INSURANCE:** Lessee shall keep the leased premises insured for fire and extended coverage for full insurable value at their expense, and Lessee shall further bear the expense of any insurance insuring the property of Lessee on the premises.
- 13) **DEFAULT:** If Lessee shall fail to pay rent when due, or perform any term hereof, after not less than thirty (30) days written notice of such default given in the manner required by law, the Lessor, at his option, may terminate all rights of Lessee hereunder, unless Lessee, within said time, shall cure such default. If Lessee abandons or vacates the property, while in default of the payment of rent, Lessor may consider any property left on the premises to be abandoned and may dispose of the same in any manner allowed by law. In the event the Lessor reasonably believes that such abandoned property has no value, it may be discarded. If the lease is terminated for any reason, Lessee's liability to Lessor for damages shall survive such termination, and the rights and the obligations of the parties shall be as follows:
- a) Lessee shall vacate the property immediately, remove any property of Lessee, perform any clean-up, or other work required to leave the property in the condition required at the end of the term, and deliver all keys to Lessor. Any and all improvements, repairs, or alterations made by Lessee which shall result in improvements of the property shall remain the property of the Lessor, and shall remain upon the vacated property.
  - b) Lessor may re-enter, take possession of the premises, and remove any persons or properties by legal action or by self-help with the use of reasonable force and without liability for damages.
  - c) In the event of termination on default, Lessor shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of this lease term, the reasonable costs of re-entry and reletting, including without limitation the cost of any clean-up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the premises upon termination and leave them in the required condition, any remodeling costs, attorney fees, court costs, broker's commissions, advertising costs, as well as the total of the lease payments provided for herein from the date of default until a new lease has been, or with the exercise of reasonable efforts could have been, secured.
- 14) **ATTORNEY FEES AND COURT COSTS:** In the event suit or action is instituted to enforce compliance with any of the terms, covenants or conditions of this lease, or any portion thereof, the prevailing party shall recover from the other party such sum as the trial court may adjudge reasonable as attorney fees; and in the event any appeal is taken from any judgement or decree in such action, such further sum as the appellate court shall adjudge reasonable as attorney fees on such appeal, in addition to costs and disbursements.

- 15) **SECURITY:** The security deposit set forth above, if any, shall secure the performance of Lessee's obligations hereunder. Lessor may, but shall not be obligated to, apply all or portions of said deposit on account of Lessee's obligations hereunder. Any balance remaining upon termination shall be returned to Lessee within thirty (30) days from date possession is delivered to Lessor, together with a statement showing any charges made against such deposits by Lessor.
- 16) **WAIVER:** No failure to Lessor to enforce any term hereof shall be deemed a waiver, nor shall any acceptance of a partial payment of rent be deemed a waiver of Lessor's right to the full amount thereof.
- 17) **HEIRS, ASSIGNS, SUCCESSORS:** This lease is binding upon and inures to the benefit of the heirs, assigns and successors in interest to the parties.
- 18) **TIME:** Time is of the essence of this agreement.
- 19) **HOLDING OVER:** Any holding over after expiration hereof, with the consent of Lessor, shall be construed as a month-to month tenancy in accordance with the terms hereof, as applicable. No such holding over or extension of this lease shall extend the time for the exercise of the option unless agreed upon in writing by Lessor.
- 20) **OPTION:**  
 So long as Lessee is not in substantial default in the performance of any term of this lease, Lessee shall have the option to purchase the real property described herein for a purchase price of \$49,900.00 (FORTY-NINE THOUSAND NINE HUNDRED AND NO/100s-----DOLLARS), upon the following terms and conditions:
- a) If Lessee shall exercise the above noted option prior to December 31, 1985, Lessee shall be afforded credit as against the \$49,900.00 purchase price in the amount of \$100.00 for each month's rent paid to Lessor; which said credit shall be afforded to Lessee upon closing; and
  - b) If Lessee shall exercise the above noted option prior to December 31, 1985, Lessee shall receive a credit for \$100.00 non-refundable option fee provided for in paragraph 3 hereinabove; which said credit shall be afforded to Lessee upon closing; and
  - c) Lessee shall be required to pay such additional sums as additional down payment as are necessary to enable Lessee to obtain a loan from a conventional savings and loan institution, bank, or other lending institution at the then prevailing interest rate and amortization terms; and
  - d) The remaining amount of the purchase price shall be payable in cash by virtue of borrowing from a commercial bank, savings and loan institution, or lending institution.
  - e) Lessee shall be required to apply for the assumption of the D.V.A. loan.
  - f) Lessor and Lessee will split the costs of closing 50-50 including but not limited to the cost of assuming the D.V.A. loan, appraisal fees, and title search.
- 21) **LESSEE'S INSPECTION:** Lessee certifies that this agreement is accepted and executed on the basis of their own examination and personal knowledge of the premises and opinion of the value thereof; that no attempt has been made to influence their judgement; that no representations as to the condition or repair of the said premises have been made by Lessor or by any agent of Lessor; and that Lessee takes said property, and the improvements thereon, and any appliances, personal property or fixtures therein in the condition existing at the time of this agreement. Lessee and Lessor further agree that Lessee shall

be responsible for any and all repairs necessary to the premises, improvements, appliances, fixtures or personal property, with the exception of the heating system, or plumbing, repairs to which shall be the responsibility of Lessor; and that Lessor shall further not be responsible for replacement of any of said items during the lease period herein.

- 22) **RETURN OF MONEY TO LESSEE:** This option does not pass to or vest in Lessee any right, title or interest whatsoever in or to the above described real estate. In the event that the Lessee does not elect to purchase the said real estate in accordance with the terms and provisions with the paragraphs entitled "EXERCISE OF OPTION" on or before the date specified in that certain paragraph entitled "EXPIRATION OF OPTION", time being of the essence hereof, this option forthwith shall become null and void and of no further force or effect, and all moneys heretofore paid unto Lessor shall vest in and remain the property of Lessor.
- 23) **ENCUMBRANCES:** In addition to any encumbrances referred to above, Lessee shall take title to the property subject to: (1) real estate taxes not yet due, and (2) covenants, conditions, restrictions, reservations, rights, rights of way and easements of record, and those apparent on the land.
- 24) **EXAMINATION OF TITLE:** Thirty (30) days from date of exercise of this option are allowed the Lessee to examine the title to the property and to report in writing any valid objections thereto. Any exceptions to the title which would be disclosed by examination of the records shall be deemed to have been accepted unless reported in writing within said 30 days. If Lessee objects to any exceptions to the title, Lessor shall use all due diligence to remove such exceptions at his own expense within sixty (60) days thereafter. But if such exceptions cannot be removed within the 60 days allowed, all rights and obligations hereunder may, at the election of the Lessee, terminate and end, unless he elects to purchase the property subject to such exceptions.
- 25) **EVIDENCE OF TITLE:** Evidence of title shall be in the form of a policy of title insurance to be paid for by the Lessor.
- 26) **CLOSE OF ESCROW:** Within thirty (30) days from exercise of the option, or upon removal of any exceptions to the title by the Lessor, as provided above, whichever is later, both parties shall deposit with an authorized escrow holder, to be selected by the Lessee, all funds and instruments necessary to complete the sale in accordance with the terms and conditions hereof. Rents, taxes, premiums or insurance acceptable to Lessee, interest and other expenses of the property to be prorated as of recordation of deed.
- 27) **EXPIRATION OF OPTION:** This option may be exercised at anytime after the date hereof August 10, 1985, and shall expire at midnight December 31, 1985, unless exercised prior thereto. Upon expiration, Lessor shall be released from all obligations hereunder and all of Lessee's rights hereunder, legal or equitable, shall cease.
- 28) **EXERCISE OF OPTION:** The option shall be exercised by mailing or delivering written notice to the Lessor prior to the expiration of this option and by an additional payment, on account of the purchase price, for account of Lessor to the authorized escrow holder referred to above, prior to the expiration of this option, as follows:  
 Lessee shall be required to pay such additional sums as additional down payment as are necessary to allow Lessee to obtain a loan from

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a conventional savings and loan institution, bank or other lending institution at the then prevailing interest rate and amortization term.

SEEN

Notice, if mailed, shall be by CERTIFIED MAIL/RETURN RECEIPT REQUESTED, postage prepaid, to the Lessor at the address set forth below, and shall be deemed to have been given upon the day following the day shown on the postmark of the envelope in which such notice is mailed.

Jack H. Von Achen Michael K. Knoke  
Jack H. Von Achen Michael K. Knoke  
 LESSOR JACK H. VON ACHEN LESSEE MICHAEL K. KNOKE  
Phebe I. Von Achen Gwendolyn L. Knoke  
Phebe I. Von Achen Gwendolyn L. Knoke  
 LESSOR PHEBE I. VON ACHEN LESSEE GWENDOLYN L. KNOKE

ADDRESS:

9171 Woodenshoe Ln.  
Manhattan, Mt 59741

STATE OF OREGON,

County of Klamath

ss.

FORM NO. 23 — ACKNOWLEDGMENT  
 STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 26 day of July, 1985, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Michael K. Knoke and Gwendolyn L. Knoke

known to me to be the identical individual(s) described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Judith L. Alexander  
 Notary Public for Oregon  
 My Commission expires March 12, 1986

STATE OF OREGON,

County of Klamath

ss.

FORM NO. 23 — ACKNOWLEDGMENT  
 STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

BE IT REMEMBERED, That on this 29 day of July, 1985, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Jack H. Von Achen and Phebe I. Von Achen

known to me to be the identical individual(s) described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Kristi L. Redd  
 Notary Public for Oregon  
 My Commission expires 11/16/87

Return to:  
 MTC



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institution of the then prevailing interest rate and amortization term.

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Notice, if mailed, shall be by CERTIFIED MAIL RETURN RECEIPT REQUESTED, postage prepaid, to the lessor at the address set forth below, and shall be deemed to have been given upon the day following the day shown on the bottom of the envelope in

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of \_\_\_\_\_ the 29th day  
of July A.D., 19 85 at 3:58 o'clock P M., and duly recorded in Vol. M85  
of Deeds on Page 11926

FEE \$29.00

Evelyn Biehn  
By

County Clerk

*Tom Smith*

*James L. Knott*  
LESSOR FRANK R. VON ACHEN  
LESSEE GWYNDOVAN L. KNOTT

ADDRESS:

*1151 Woodman Ln  
Medford, OR 97504*