

LESSOR

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## LEASE WITH PURCHASE OPTION

BY THIS AGREEMENT made and entered into on 14 JULY, 1999 (year), between TONY AND CHRISTINE KLOBUCAR, herein referred to as Lessor, and ROY EDWARD EMBERSA JR., herein referred to as Lessee, Lessor leases to Lessee the premises situated at 42615 AND 42735 HWY 140 EAST, in the City of BEATTY, County of KLAMATH, State of OREGON, and more particularly described as follows: NEW BEATTY STORE AND MOTEL

together with all appurtenances, for a term of TWO years, to commence on 14 JULY, 1999 (year), and to end on 14 JULY, 2001 (year), at 12 o'clock P. m.

1. **Rent.** Lessee agrees to pay, without demand, to Lessor as rent for the demised premises the sum of EIGHTEEN HUNDRED FIFTY SIX AND 31 CENTS Dollars (\$ 1856.31) per month in advance on the 15th day of each calendar month beginning 15 AUGUST, 1999 (year), payable at NEW BEATTY STORE, City of BEATTY, State of OREGON, or at such other place as Lessor may designate.

2. **Security Deposit.** On execution of this lease, Lessee deposits with Lessor

Dollars (\$ 0), receipt of which is acknowledged by Lessor,

as security for the faithful performance by Lessee of the terms hereof, to be returned to Lessee, without interest, on the full and faithful performance by him of the provisions hereof.

3. **Quiet Enjoyment.** Lessor covenants that on paying the rent and performing the covenants herein contained, Lessee shall peacefully and quietly have, hold, and enjoy the demised premises for the agreed term.

4. **Use of Premises.** The demised premises shall be used and occupied by Lessee exclusively as \_\_\_\_\_, and neither the premises nor any part thereof shall be used at any time during the term of this lease by Lessee for any other purpose. Lessee shall comply with all the sanitary laws, ordinances, rules, and orders of appropriate governmental authorities affecting the cleanliness, occupancy, and preservation of the demised premises, and the sidewalks connected thereto, during the term of this lease.

5. **Condition of Premises.** Lessee stipulates that he has examined the demised premises, including the grounds and all buildings and improvements, and that they are, at the time of this lease, in good order, repair, and in a safe, clean, and tenable condition.

6. **Assignment and Subletting.** Without the prior written consent of Lessor, Lessee shall not assign this lease, or sublet or grant any concession or license to use the premises or any part thereof. A consent by Lessor to one assignment, subletting, concession, or license shall not be deemed to be a consent to any subsequent assignment, subletting, concession, or license. An assignment, subletting, concession, or license without the prior written consent of Lessor, or an assignment or subletting by operation of law, shall be void and shall, at Lessor's option, terminate this lease.

7. **Alterations and Improvements.** Lessee shall make no alterations to the buildings or the demised premises or construct any building or make other improvements on the demised premises without the prior written consent of Lessor. All alterations, changes, and improvements built, constructed, or placed on the demised premises by Lessee, with the exception of fixtures removable without damage to the premises and movable personal property, shall, unless otherwise provided by written agreement between Lessor and Lessee, be the property of Lessor and remain on the demised premises at the expiration or upon sooner termination of this lease.

8. **Damage to Premises.** If the demised premises, or any part thereof, shall be partially damaged by fire or other casualty not due to Lessee's negligence or willful act or that of his employee, family, agent, or visitor, the premises shall be promptly repaired by Lessor and there shall be an abatement of rent corresponding with the time during which, and the extent to which, the leased premises may have been untenable; but, if the leased premises should be damaged other than by Lessee's negligence or willful act or that of his employee, family, agent, or visitor to the extent that Lessor shall decide not to rebuild or repair, the term of this lease shall end and the rent shall be prorated up to the time of the damage.

9. **Dangerous Materials.** Lessee shall not keep or have on the leased premises anything of a dangerous, inflammable, or explosive character that might unreasonably increase the danger of fire on the leased premises or that might be considered hazardous or extra hazardous by any responsible insurance company.

10. **Utilities.** Lessee shall be responsible for arranging for and paying for all utility services required on the premises, except that NONE shall be provided by Lessor.

11. **Maintenance and Repair.** Lessee will, at his sole expense, keep and maintain the leased premises and appurtenances in good and sanitary condition and repair during the term of this lease and any renewal thereof. In particular, Lessee shall keep the fixtures on or about the leased premises in good order and repair; keep the furnace clean; keep the electric bells in order; keep the walks free from dirt and debris; and, at his sole expense, shall make all required repairs to the plumbing, range, heating apparatus, and electric and gas fixtures whenever damage thereto shall have resulted from Lessee's misuse, waste, or neglect or that of his employee, family, agent, or visitor. Major maintenance and repair of the leased premises, not due to Lessee's misuse, waste, or neglect or that of his employee, family, agent, or visitor, shall be the responsibility of Lessor or his assigns. Lessee agrees that no signs shall be placed or painting done on or about the leased premises by Lessee or at his direction without the prior written consent of Lessor.



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Rev. 6/98

**12. Right of Inspection.** Lessor and his agents shall have the right at all reasonable times during the term of this lease and any renewal thereof to enter the demised premises for the purpose of inspecting the premises and all building and improvements thereon.

**13. Display of Signs.** During the last THIRTY days of this lease, Lessor or his agent shall have the privilege of displaying the usual "For Sale" or "For Rent" or "Vacancy" signs on the demised premises and of showing the property to prospective purchasers or tenants.

**14. Subordination of Lease.** This lease and Lessee's leasehold interest hereunder are and shall be subject, subordinate, and inferior to, any liens or encumbrances now or hereafter placed on the demised premises by Lessor, all advances made under any such liens or encumbrances, the interest payable on any such liens or encumbrances, and any and all renewals or extensions of such liens or encumbrances.

**15. Holdover by Lessee.** Should Lessee remain in possession of the demised premises with the consent of Lessor after the natural expiration of this lease, a new month-to-month tenancy shall be created between Lessor and Lessee which shall be subject to all the terms and conditions hereof but shall be terminated on 30 days' written notice served by either Lessor or Lessee on the other party.

**16. Surrender of Premises.** At the expiration of the lease term, Lessee shall quit and surrender the premises hereby demised in as good state and condition as they were at the commencement of this lease, reasonable use and wear thereof and damages by the elements excepted.

**17. Default.** If any default is made in the payment of rent, or any part thereof, at the times hereinbefore specified, or if any default is made in the performance of or compliance with any other term or condition hereof, this lease, at the option of Lessor, shall terminate and be forfeited, and Lessor may re-enter the premises and remove all persons therefrom. Lessee shall be given written notice of any default or breach, and termination and forfeiture of the lease shall not result if, within 30 days of receipt of such notice, Lessee has corrected the default or breach or has taken action reasonably likely to effect such correction within a reasonable time. Lessee shall pay all reasonable attorneys' fees necessary to enforce lessor's rights.

**18. Abandonment.** If at any time during the term of this lease Lessee abandons the demised premises or any part thereof, Lessor may, at his option, enter the demised premises by any means without being liable for any prosecution therefore, and without becoming liable to Lessee for damages or for any payment of any kind whatever, and may, at his discretion, as agent for Lessee, relet the demised premises, or any part thereof, for the whole or any part of the then unexpired term, and may receive and collect all rent payable by virtue of such reletting, and, at Lessor's option, hold Lessee liable for any difference between the rent that would have been payable under this lease during the balance of the unexpired term, if this lease had continued in force, and the net rent for such period realized by Lessor by means of such reletting. If Lessor's right of re-entry is exercised following abandonment of the premises by Lessee, then Lessor may consider any personal property belonging to Lessee and left on the premises to also have been abandoned, in which case Lessor may dispose of all such personal property in any manner Lessor shall deem proper and is hereby relieved of all liability for doing so.

**19. Binding Effect.** The covenants and conditions herein contained shall apply to and bind the heirs, legal representatives, and assigns of the parties hereto, and all covenants are to be construed as conditions of this lease.

**20. Radon Gas Disclosure.** As required by law, (Landlord) (Seller) makes the following disclosure: "Radon Gas" is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in . Additional information regarding radon and radon testing may be obtained from your county public health unit.

**21. Lead Paint Disclosure.** "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real estate is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspection in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."

**22. Purchase Option.** It is agreed that Lessee shall have the option to purchase real estate known as: NEW BEATTY STORE AND MOTEL for the purchase price of TWO HUNDRED Forty thousand Dollars (\$ 240,000) with a down payment of SEE ATTACHMENTS Dollars (\$) payable upon exercise of said purchase option, and with a closing date no later than \_\_\_\_\_ days thereafter. This purchase option must be exercised in writing no later than \_\_\_\_\_ (year), but shall not be effective should the Lessee be in default under any terms of this lease or upon any termination of this lease.

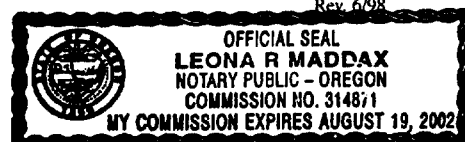
IN WITNESS WHEREOF, the parties have executed this lease on the day and year first above written.

Tony M. Dolan  
Lessor

Barry Carter  
Lessee

NOTICE: State law establishes rights and obligations for parties to rental agreements. This agreement is required to comply with the Truth in Renting Act or the applicable Landlord Tenant Statute or code of your state. If you have a question about the interpretation or legality of a provision of this agreement, you may want to seek assistance from a lawyer or other qualified person.

Leona R Maddax  
Notary



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R293-04  
BB240

# PROMISSORY NOTE

\$20,000<sup>00</sup>

Principal Amount

Dated: 14 July, 1999 (year)

State of OREGON

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay to the order of

TONY OR TINA KLOBUCAR, the sum of TWENTY

THOUSAND

Dollars (\$20,000.-)

), together with interest thereon at the rate of 0% per annum on the unpaid balance. Said sum shall be paid in the manner following: \$2000<sup>00</sup> PER WEEK STARTING ON MONDAY 19 JULY 1999 AND EACH MONDAY THEREAFTER UNTIL ABOVE AMOUNT PAID IN FULL.

All payments shall be first applied to interest and the balance to principal. This note may be prepaid, at any time, in whole or in part, without penalty. All prepayments shall be applied in reverse order of maturity.

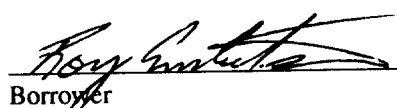
This note shall at the option of any holder hereof be immediately due and payable upon the failure to make any payment due hereunder within THIRTY - (30) days of its due date.

In the event this note shall be in default, and placed with an attorney for collection, then the undersigned agree to pay all reasonable attorney fees and costs of collection. Payments not made within five (5) days of due date shall be subject to a late charge of 10% of said payment. All payments hereunder shall be made to such address as may from time to time be designated by any holder hereof.

The undersigned and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound hereunder until this note shall be fully paid and waive demand, presentment and protest and all notices thereto and further agree to remain bound, notwithstanding any extension, renewal, modification, waiver, or other indulgence by any holder or upon the discharge or release of any obligor hereunder or to this note, or upon the exchange, substitution, or release of any collateral granted as security for this note. No modification or indulgence by any holder hereof shall be binding unless in writing; and any indulgence on any one occasion shall not be an indulgence for any other or future occasion. Any modification or change of terms, hereunder granted by any holder hereof, shall be valid and binding upon each of the undersigned, notwithstanding the acknowledgment of any of the undersigned, and each of the undersigned does hereby irrevocably grant to each of the others a power of attorney to enter into any such modification on their behalf. The rights of any holder hereof shall be cumulative and not necessarily successive. This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State first appearing at the head of this note. The undersigned hereby execute this note as principals and not as sureties.

Signed in the presence of:

Witness

  
Borrower

Witness

Borrower

## GUARANTY

We the undersigned jointly and severally guaranty the prompt and punctual payment of all moneys due under the aforesaid note and agree to remain bound until fully paid.

In the presence of:

Witness

Guarantor

Witness

Guarantor



## ATTACHMENT:

1. PURCHASE OPTION - THE TEN THOUSAND DOLLAR DOWN PAYMENT ON 14 JULY 1999 TO BE APPLIED TO THE PURCHASE PRICE OF TWO HUNDRED FORTY THOUSAND DOLLARS. ALL MONTHLY PAYMENTS (\$1856.31) TO BE APPLIED TO PURCHASE PRICE. OWNER WILL CARRY CONTRACT AT NINE PERCENT.
2. DURING THE MONTHS OF JAN. FEB. MAR. AND APRIL, PAYMENTS WILL DROP TO \$1556.31 DUE TO SLOWER BUSINESS.
3. LESSOR AGREES TO MAINTAIN FIRST OWNERS PAYMENTS IN A CURRENT STATUS OR BE IN VIOLATION OF THIS LEASE.
4. LESSEE IS REQUIRED TO MAINTAIN AND KEEP CURRENT ALL STATE COUNTY FEDERAL AND PROPERTY TAXES, AS WELL AS ANY INSURANCE REQUIRED TO FINANCIALLY PROTECT BUSINESS GOODS BUILDINGS AND PROPERTIES, AS DEEMED NECESSARY BY LESSOR.
5. ALL MONIES RECEIVED PER LEASE WILL BE APPLIED TOWARD PURCHASE PRICE

John M. Wilson 14 JULY 99  
LESSOR DATE

Ray Smith 14 JULY 99  
LESSEE DATE

State of Oregon, County of Klamath  
Recorded 2/01/00, at 10:24 a.m.  
In Vol. M00 Page 3377  
Linda Smith,  
County Clerk Fee \$ 41.00