

LEASE AND OPTION AGREEMENT

THIS AGREEMENT Made and entered into this 21st day of May, 1976, by and between A. E. McCOY of 3936 Austin Street, Klamath Falls, Oregon, hereinafter called Lessor, and KEN E. BAILEY, of 3936 Austin Street, Klamath Falls, Oregon, herein-after called Lessee.

W I T N E S S E T H :

WHEREAS, Lessor is the owner of that certain real property situated in the County of Klamath, State of Oregon, more particularly described as follows, to-wit:

The Westerly 132.00 feet of Lot 3, ALTA-MONT SMALL FARMS, according to the duly recorded subdivision in the office of the County Clerk of Klamath County, Oregon.

SUBJECT TO: Reservations and restrictions as contained in instrument recorded in Volume 78, page 350, Deed Records of Klamath County, Oregon, to-wit: "Subject to all contracts with the United States of America, Klamath Water Users Association and Klamath Irrigation District relative to the reclamation and irrigation of said land, and all rights of way heretofore granted or in use for roads, ditches and canals and easements therefor; and reserving to the grantors an easement and right of way for the purpose of constructing and maintaining an irrigation ditch along the boundary line or lines of the land herein before described," hereinafter called Parcel I; and

WHEREAS, Lessor is the owner of an option to purchase that certain real property situated in the County of Klamath, State of Oregon, more particularly described as follows, to-wit:

The Easterly 132.00 feet of the Westerly 264 feet of Lot 3 ALTAMONT SMALL FARMS

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according to the duly recorded subdivision in the office of the County Clerk of Klamath County, Oregon.

SUBJECT TO: Reservations and restrictions as contained in instrument recorded in Volume 78, page 350, Deed Records of Klamath County, Oregon, to-wit: "Subject to all contracts with the United States of America, Klamath Water Users Association and Klamath Irrigation District relative to the reclamation and irrigation of said land, and all rights of way heretofore granted or in use for roads, ditches and canals and easements therefor; and reserving to the grantors an easement and right of way for the purpose of constructing and maintaining an irrigation ditch along the boundary line or lines of the land herein before described," herein-after called Parcel II; and

WHEREAS, Lessee desires to lease the real property hereinabove described as being owned by Lessor and to construct improvements upon said real property;

NOW, THEREFORE, it is mutually understood and agreed by and between the parties hereto that in consideration of the covenants herein contained to be kept and performed by the Lessee, Lessor does hereby lease, demise, and let unto Lessee that certain real property called Parcel I for a term commencing the 19th day of February, 1976, and continuing through the 18th day of February, 1979, at and for a rental computed as follows: Eight percent (8%) per annum computed on \$4,000.00 from the 19th day of February, 1976, through the 9th day of April, 1976, and eight percent (8%) per annum computed upon \$6,000.00 from the 10th day of April, 1976, for the balance of the term of this lease, together with eight percent (8%) per annum computed upon such sums as Lessor shall invest in said Parcel I during the term of this lease, payable as follows: \$92.93 payable upon

execution of this agreement as rent from the 19th day of February, 1976, through the 15th day of May, 1976, and \$40.00 each and every month thereafter payable on the 15th day of each month during the balance of the term of this lease. Interest upon the future investments made by Lessor in said real property shall accrue from the date of said investment and payment shall commence on such additional rental on the 15th day of the month following the investment by the Lessor.

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

(1) Lessor agrees to invest \$2,000.00 on the 15th day of June, 1976, or when the building which Lessee is constructing upon said premises reaches seventy-five percent (75%) completion, whichever is later.

(2) Lessee agrees to pay cash for all improvements constructed upon said Parcel I.

(3) Lessee shall not place improvements upon said Parcel I which cost in excess of \$12,000.00 without written consent of Lessor.

(4) Lessor hereby agrees to permit Lessee to apply for any zone change desired by Lessee.

(5) Lessee agrees to pay all expenses pertaining to said Parcel I, including, but not limited to, costs of obtaining zone change, all taxes, assessments, liens, casualty insurance, and building permits, and to hold Lessor harmless therefrom.

(6) Lessee shall be entitled to possession of said premises from the 19th day of February, 1976, until this lease

is terminated.

(7) Lessee agrees to keep said premises, including all exposed plumbing, heating equipment, and apparatus, at all times in good repair and to pay for all repairs on said premises during the term of this lease.

(8) Lessee shall not commit, permit or create any nuisance on said premises or use said premises for any unlawful purpose. Lessee agrees to permit Lessor, his agents, and representatives at any reasonable time to enter said premises for the purpose of examining the condition thereof.

(9) Lessee agrees that upon the expiration of said term or termination hereby to quit and deliver up the premises and all future additions to the same to Lessor peaceably and quietly.

(10) Lessee shall hold Lessor harmless from any liability resulting from the negligent acts of Lessee.

(11) Lessee shall not underlet the premises without the express consent of Lessor.

(12) Time is of the essence of this lease, and if said rent shall be in arrears for thirty (30) days, or if Lessee shall neglect or fail to do or perform the covenants herein contained within sixty (60) days after the same becomes due, Lessor may immediately or at any time while said default continues, enter upon said premises and repossess the same, expel the Lessee and remove his effects at Lessee's expense, forcibly if necessary, without being taken or deemed guilty in any manner

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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 Lessee.

(13) All repairs, additions, improvements and alterations in and to said premises made by Lessee shall be and become the property of Lessor as soon as made.

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

(15) Option to purchase: Lessor, for value received, hereby gives and grants unto Lessee the sole and exclusive irrevocable and personal right and option to purchase Parcel I hereinabove described at and for the purchase price equal to the total sum invested by Lessor in said property, which shall include the \$6,000.00 invested by Lessor as of the 10th day of April, 1976, together with all future investments in said property. Lessee may exercise this option at any time prior to the 18th day of February, 1979, provided that Lessee is not in default of the terms of this lease and option agreement. Lessee shall not be credited with rent paid to the date of the exercise of this option. Lessee shall pay the purchase price in full upon exercise of his option. In the event Lessee elects to exercise this option, he shall so notify Lessor by conveying written notice to Lessor.

(16) Second Option: Lessor hereby grants to Lessee

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an option to exercise Lessor's option to purchase that certain real property heretofore described as Parcel II. In consideration for the granting of said option to exercise Lessor's option, Lessee agrees to pay to Lessor the sum of eight percent (8%) per annum computed upon the sum of \$500.00 payable in monthly installments, with said interest being computed from the 19th day of February, 1976, until the exercise of said option or the 18th day of August, 1977, whichever shall be the earlier. In the event Lessee elects to exercise Lessor's option to purchase said property, then and in that event, Lessee shall notify Lessor in writing and shall pay to Lessor an additional sum of ~~\$500.00~~ ^{\$3,000.00 to the owners of record A.E.M. K.E.B.} upon exercise of the option. It is mutually understood that Lessor's option to purchase said property expires the 18th day of August, 1977.

(17) In the event that suit or action be instituted by either party to enforce any rights under this agreement, or for any matter in any way arising out of this agreement, 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 deemed reasonable as attorneys' fees.

LESSOR:

A.E.M. Coy

LESSEE:

Ken E. Bailey

STATE OF OREGON)

County of Klamath)

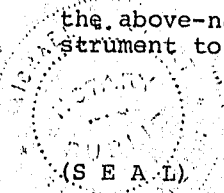
ss.

Before me this 21st day of May, 1976, personally appeared

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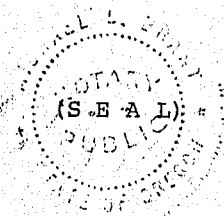
the above-named A. E. MCCOY and acknowledged the foregoing instrument to be his voluntary act and deed.



Michael L. Brant
Notary Public for Oregon
My Commission Expires: 1-21-77

STATE OF OREGON)
County of Klamath) ss.

Before me this 21st day of May, 1976, personally appeared the above-named KEN E. BAILEY and acknowledged the foregoing instrument to be his voluntary act and deed.



Michael L. Brant
Notary Public for Oregon
My Commission Expires: 1-21-77

Ret: A. E. McCoy
3936 Austin St.
K. Falls, Oregon
97601

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of A. E. MCCOY 2:47 P.
this 1st day of JUNE A. D. 19 76 at o'clock M. am
duly recorded in Vol. M-76, of DEEDS on Page 8076

FEE \$21.00

Wm D. MILNE, County Clerk

By *Alfred H. Westman*

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