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LEASE/OPTION AGREEMENT

UTC 1396-6310

Vol. m93 Page 10044 CH

1. PARTIES TO THE AGREEMENT:

Lessor: Claude T. Hagerty and Marilyn S. Hagerty, husband and wife, who's address is 28611 Transformer Road, Malin, Oregon 97632 hereinafter to be referred to as "lessor", and

Lessee: James V. Shanks and Judy M. Shanks, husband and wife, who's address is 19515 Harpold Road, Malin, Oregon 97632 hereinafter to be referred as "lessee".

2. AGREEMENT TO LET and LEASE:

Lessor agrees to let to Lessee and Lessee agrees to lease from Lessor, upon the terms and conditions hereinafter set forth; the following herein described property situated in Klamath County, State of Oregon at 19515 Harpold Road, within the zip code area of 97632; hereafter referred to as "said property".

3. PROPERTY TO BE LET and LEASED:

- a) The property to be let by lessor, for exclusive farm use only is of a total of 6+ acres for the amount of \$200.00 per acre, per year; and
- b) The inclosed storage building for the storage of farm products with 3,528 square feet of storage area for the amount of \$1,000.00 per year; and
- c) The repair shop building with 960 square feet of work area for an amount of \$750.00 per year; and
- d) The house located on the property which is described as a 1.5 story home having 4 bedrooms, 2 bathrooms, a family room, office area, kitchen, dinning room, living room, with a living area of 1749 square feet, with a basement of 1,110 square feet, and a detached one (1) car garage, all for the amount of \$300.00 per month.

4. TERM OF LEASE:

Beginning on the 1st day of January, 1992, and extending to and including midnight on the 31st day of December, 1995 the property described in paragraph 3 above shall be let by lessor and leased by lessee for the amounts cited therein and payable, in advance, in lawful money of the United States or by check made payable to the order of Claude T. Hagerty.

After Recording return to:  
Mountain Title Company  
#29790-MK

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5. PROPERTY IS LET and LEASED ON THE FOLLOWING TERMS and CONDICTIONS:

e) The lessee expressly agrees to pay said rents at the times aforesaid; to use said premises for a farming operation and home for lessee, which shall not be sublet as a home at any time during the term of the lessee, and the farm land shall not be used for any other purpose than that of farming; to make no unlawful or offensive use of said premises; not to suffer or permit any waste or strip thereof; not to make any alterations or improvements upon said premises or assign this lease or sublet sad premises, or any thereof, or permit any other person to occupy the same without lessor's written consent being first obtained; to comply with all laws, ordinances and regulations of any public authority respecting the use of said premises;; promptly pay for all heat, light, water (other than irrigation water tax), power, and other services or utilities used on said premises; to keep said premises, including all exposed plumbing, heating equipment and apparatus and stairs and walkways at all times in good repair and to pay for all repairs on said premises during the term of this lease except those which the lessor hereinafter specifically agrees to make; to keep the roof of the buildings on and the sidewalks surrounding said premises free of snow, ice, rubbish and debris during the term hereof; not to commit, permit or create any nuisance on said premises; promptly to replace all glass which may be broken or cracked in the windows and doors of the house and buildings with glass of as good or better quality than that now in use; to permit the Lessor, or Lessor's agent(s) or representative(s), with prior notice, to enter upon premises during business hours for the purpose of examining the condition thereof or other lawful purpose; to keep said premises free of all mechanic's liens and upon the expiration of said term, or any termination hereof, to quit and deliver up said premises and all future additions to same, in as clean a condition as entered upon, to the lessor in a peaceful, quietly and in as good order and condition, reasonable use and wear thereof, damage by fire and the elements alone excepted, as the same are now in. During the term of this lease the lessor agrees to maintain the exterior walls, gutters, down spouts, unexposed plumbing and foundations of the building on said premises and the sidewalks thereabouts in good order and repair; provided, however, that all sums expended by the lessor for said purposes shall be reported to the lessee in writing within thirty days after each expenditure is made.

f) In the event of the destruction any of the buildings on said premises from any cause, the lessor may terminate this lease after ten (10) days or pursuant to statue that a written notice is served on or a registered letter is received by lessee, as provided within the statue of limitation declaring the beginning such time to be effective as of the date of said destruction, and the lessee may terminate this lease, effective as of said date; provided,

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however, that if the damage to said building is more than twenty percent (20%) of its sound value, the lessor may or may not elect to restore said building; written notice of lessor's said election shall be given the lessee within fifteen (15) days after the occurrence of said damage; if such notice is not so given, lessor conclusively shall be deemed to have elected not to restore the building; if the lessor so elects, lessee forthwith may terminate this lease as of the date of said damage. If the damage to said building does not amount to the extent last indicated, or if lessor elects to restore said building as aforesaid, then lessor shall repair said building with all convenient speed and during said repairs there shall be such an abatement of rent as the nature of the damage and its interference with the occupancy of said leased premises shall warrant.

g) Time is of the essence of this lease and if said rents shall be in arrears for ten (10) days, or if lessee shall neglect or fail to do or perform any of the covenants herein contained, then lessor, pursuant the statutes of the State of Oregon, without notice may immediately or at any time while said default continues, enter upon said premises and repossess the same, expel lessee and remove lessee's effects at lessee's expense, forcibly if necessary, without being taken or deemed guilty in any manner of trespass 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 hereby are expressly waived by the lessee.

h) 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. Any holding over by lessee after the expiration of the term of this lease shall be deemed a tenancy from month to month only, terminable at will by either party hereto. In the event of any suit or action on this lease, lessee or lessor, whichever is found in breach, agrees to pay such additional sum as the court may adjudge reasonable to be allowed prevailing party therein for attorney's fees, plus the statutory costs and disbursements and if an appeal is taken in any such suit or action, such further sum as the appellate court may deem reasonable as prevailing party's attorney's fees on such appeal.

#### 6. LEASEE'S RIGHT OF OPTION TO PURCHASE:

i) At any time while this lease is in full force and effect, except as hereafter provided, and lessee is not in default in lessee's performance hereof, lessor, for value received, hereby gives and grants unto lessee the sole, exclusive and irrevocable right and option to purchase the above listed

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and described premises subject to and upon the terms and conditions set forth in the form of purchase agreement hereto attached, and for a price to be ascertained as follows:

The basic price for all of the property leased and including all unlisted appurtenance within a survey of the property, to be supplied by lessor, shall be the sum of \$57,000.<sup>00</sup>, to and from which shall be made the following additions and deductions, to-wit: To said basic price shall be added (1) the aggregate of the sums expended by lessor and reported in writing by lessor to lessee between the date of this lease and the exercise of this option, for the maintenance of the exterior walls, gutters, down-spouts, unexposed plumbing, the foundations of the out buildings and the home, fence repair/replacement, and sidewalks/retaining walls thereabout; (2) the aggregate of all fire insurance premiums, all county tax, district tax or liens on said premises paid by lessor between the date hereof and the exercise of this option; (3) a sum equal to unearned insurance premiums; (4) all of parts 2 and 3 shall be prorated as of the date of the fiscal year of each in which this option is taken, (5) there shall be no interest charged from the date of notice of option by lessee and no discount of the lease/rents amount paid by lessee from the purchase price cited above; (6) if any or all of the buildings on listed in this lease agreement are destroyed by fire or weather the amount of insurance settlements paid therefore shall be deducted from the sale price up to the amount of the value listed on the basic price agreement attached hereto.

j) The net sum so ascertained shall be the option price on said premises.

k) Time is of the essence hereof and this option shall be null and void and of no force and effect unless exercised by lessee on or before the 15th day of June, 1993, at 12:01 P.M., by notifying lessor of the intent to exercise said option by a written notice to lessor hand delivered at lessor's address stated above; as soon as reasonably possible thereafter the parties hereto, following the formula stated above, shall determine the amount of said purchase price and shall execute and deliver an earnest money agreement, of whatever type the parties agree upon; contained within said agreement shall be the values agreed to as listed for each item being sold and purchased, of which said item list is attached hereto.

l) Within ten days of the date of said earnest money agreement's execution, by the parties, lessor and lessee shall open an escrow account

with a title company located in the County of Klamath, State of Oregon and deposit all agreements, survey reports, and instructions for the escrow officer of said company.

m) Should lessee fail to exercise leasee's right to option, the foregoing lease shall continue until terminated pursuant to said terms.

n) The lease/option agreement shall bind and inure to the benefit of, as the circumstances may require, not only the immediate parties hereto but their respective heirs, executors and administrators, the successors and assigns of lessor, and so far as the terms hereof permit assignment, the successors and assigns of lessee as well.

o) In construing this lease/option agreement it is understood that the lessor and lessee are individuals and that one or both of them may become more than one person or may establish a corporation hereafter and that, if the context requires, the singular pronoun shall be taken to mean and include the plural, and that all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands in duplicate on this \_\_\_\_ day of December, 1991.

LESSOR:

Claude T. Hagerty  
Claude T. Hagerty

DATE: 12/17/91

Marilyn S. Hagerty  
Marilyn S. Hagerty

DATE: 12/17/91

WITNESS:

James Y. Shanks

DATE: 12/17/91

LESSEE:

James Y. Shanks  
James Y. Shanks

DATE: 12/17/91

Judy M. Shanks  
Judy M. Shanks

DATE: 12-17-91

WITNESS:

James Y. Shanks

DATE: 12/17/91

## BASIC PRICE AGREEMENT FOR LEASE/OPTION AGREEMENT

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Said land is sold for:  
LAND (8+acres) \$ 4,477.<sup>00</sup>

and with an easement described as:

Starting at the a point along the South line of the property, close to the east line thereof, where the underground irrigation main line enters said property and continuing to the spot where the "turn-out" is connected to said main line; the easement to be for repairs on or replacement of said main line only and is to be ten (10) feet each side of the center line of said main line.

Said easement is sold for:  
EASEMENT \$ 1,230.<sup>00</sup>

TOGETHER WITH and VALUED AT:

- A) All appurtenant irrigation water rights held within the Shastaview Irrigation District.
- B) Irrigation equipment described as and valued at:  
1-Big Gun Sprinkler \$ 293.<sup>00</sup>
- C) House and other buildings listed as:
- i) The house is described as a one and a half (1.5) story, 4 bedroom, 2 bathroom, family room/office, kitchen, dinning room, living room, with an area of 1,749 sq. feet living area, with a basement of 1,110 sq. feet and is valued at:  
HOUSE \$30,000.<sup>00</sup>
- ii) The inclosed storage has an area of 3,528 sq. feet and is valued at:  
INCLOSED STORAGE \$ 15,000.<sup>00</sup>
- iii) The detached garage has the area of one (1) car, and is valued at:  
ONE CAR GARAGE \$ 1,500.<sup>00</sup>
- iiii) The shop has an area of 960 sq. ft. and is valued at:  
SHOP \$ 4,500.<sup>00</sup>
4. The total sale price for all of the above, as listed, real property, personal property, and appurtenance is:

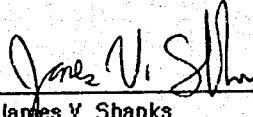
LAND	\$ 4,477. <sup>00</sup>
EASEMENT	\$ 1,230. <sup>00</sup>
HOUSE	\$ 30,000. <sup>00</sup>
COVERED STORAGE	\$ 15,000. <sup>00</sup>
GARAGE #1	\$ 1,500. <sup>00</sup>
SHOP	\$ 4,500. <sup>00</sup>
BIG GUN SPRINKLER	\$ 293. <sup>00</sup>
TOTAL	\$ 57,000. <sup>00</sup>

FOR LESSOR:

  
Claude T. Hagerty

DATE: 12/17/91

FOR LESSEE:

  
James V. Shanks

DATE: 12/17/91

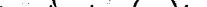
State of Oregon

County of Klamath April 21, 1993

Personally appeared the above named James V. Shanks and Judy M. Shanks, and acknowledged the foregoing instrument to be \_\_\_\_\_ voluntary act and deed.

WITNESS My hand and official seal.

(seal)

  
 Notary Public for Oregon  
 My Commission expires: 4/20/96



State of Oregon

County of \_\_\_\_\_, 19\_\_\_\_

Personally appeared the above named \_\_\_\_\_,  
and acknowledged the foregoing instrument to be \_\_\_\_\_ voluntary act and  
deed.

WITNESS My hand and official seal.

(seal)

Notary Public for Oregon  
My Commission expires:

STATE OF OREGON: COUNTY OF KLAMATH:      ss.

Filed for record at request of Mountain Title co the 7th day  
of May A.D., 19 93 at 9:01 o'clock A M., and duly recorded in Vol. M93,  
of Deeds on Page 10044.

**FEE \$60.00**

Evelyn Biehn, County Clerk

By Quentin Mueller