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THIS AGREEMENT, Made and entered into this 21 day of July, 1999, by and between Mary Powers and H.T. Powers hereinafter called the first party (whether singular or plural), and Colleen M. Chambers, hereinafter called the second party,

WITNESSETH: In consideration of the covenants herein contained to be kept and performed by second party, first party does hereby lease, demise and let unto the said second party the following described premises situated in the City of Lapine, County of Klamath, Oregon, to-wit:

Lot 9 in Block 9 First Addition to River Pine Estates, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

known as 1483 Rector Drive, Lapine, OR 97739 for a term beginning July 21, 1999, and ending at midnight on July 21, 2000 at and for a rental of \$ 600.00 per Month during said term, payable in advance in lawful money of the United States to the order of the first party at the following address PO Box 2686 Lapine, OR 97739, as follows:

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

(a) At the beginning of this lease, the said premises shall be equipped at first party's expense with electric wiring and plumbing facilities capable of producing hot and cold running water and adequate heating facilities.

(b) The second party expressly agrees to pay said rents at the times and place aforesaid; to use said premises for residential purposes and no other purpose without first party's consent; 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 said premises or any part thereof, or permit any other person to occupy the same without first party's written consent first obtained; to comply with all laws, ordinances and regulations of any public authority respecting the use of said premises; promptly to pay for all heat, light, water, power and other services or utilities (including garbage service) used on said premises; 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 except those which the first party hereinafter specifically agrees to make; to keep the roof of the building 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, cracked or damaged in the windows and doors of said premises with glass of as good or better quality than that now in use; to permit entry to the premises to those persons, at such times, for such purposes and upon such notices as set forth under ORS 90.322; 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 the same, broom-clean, to the first party, peaceably, quietly and in as good order and condition, reasonable use and wear thereof, damage by fire and elements alone excepted, as the same are now in. During the term of this lease the first party agrees to maintain the exterior walls, gutters, downspouts, unexposed plumbing and foundations of the building on said premises and the sidewalks thereabout in good order and repair; provided, however, that all sums expended by the first party for said purposes shall be reported to the second party in writing within thirty days after each expenditure is made.

(c) In the event of the destruction of the building on said premises from any cause, either party may terminate this lease after ten days written notice of the other, effective as of the date of said destruction; provided, however, that if the damage to

said building is more than per cent of its sound value, the first party may or may not elect to restore said building, written notice of first party's said election shall be given the second party within fifteen days after the occurrence of said damage; if such notice is not so given, the first party conclusively shall be deemed to have elected not to restore the building, and the second party 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 the first party elects to restore said building as aforesaid, then the first party 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.

(d) The parties hereby agree that this instrument is not a land sale contract, that time is of the essence of this lease, and that if said rents shall be in arrears for ten days, or if the second party shall neglect or fail to do or perform any of the covenants herein contained, then the first party, at first party's option and after proper written notice, may at any time while said default continues, terminate this agreement and take possession of said premises in the manner provided in ORS 105.105 to 105.168.

(e) All repairs, additions, improvements and alterations in and to said premises made by the second party shall be and become the property of the first party as soon as made. Any holding over by the second party after the expiration of this lease shall be deemed a tenancy from month to month only, terminable in the manner provided by law by either party hereto.

*May have to be provided paid by first party. See ORS 90.320

(OVER)

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(1) **OPTION TO SECOND PARTY**—At any time while this lease is in full force and effect, except as hereinafter provided, and second party is not in default in the performance hereof, the said first party, for value received, hereby gives and grants unto the second party the sole, exclusive and irrevocable right and option to purchase the above described premises subject to and upon the terms and conditions set forth in the form of purchase agreement hereto attached, at and for a price to be ascertained as follows. The basic price for said premises shall be the sum of \$178,300.00 74,000.00 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 the first party and reported in writing by the first party to the second party between the date of this lease and the exercise of this option, for the maintenance of the exterior walls, gutters, downspouts, unexposed plumbing and the foundations of the building on said premises and the sidewalks thereabout; (2) the aggregate of all fire insurance premiums, all taxes and city, county and district liens on said premises paid by the first party between the date hereof and the exercise of this option; (3) a sum equal to a prorata as of the date hereof of taxes, paid by the first party during the fiscal tax year in which this option is given and covering a period extending to the date of the exercise of this option, together with (4) a sum equal to interest on said basic purchase price at the rate of 0% percent per annum from the date hereof to the exercise of this option; there shall be deducted from said basic price, (5) the total rents paid by the second party to the first party under said lease and (6) if, between the date of this lease and the exercise of this option, the building on said premises has been destroyed or damaged, there shall also be deducted all sums received or receivable by the first party from any insurance carried by the first party on said building and not previously expended by the first party for its repair or restoration.

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

(2) Time is of the essence hereof and this option shall be null and void and of no force and effect unless exercised by the second party on or before the 21 day of July, 2000, at 5:00 P.M., by notifying the first party of the second party's intent to exercise said option by a writing forwarded to the first party at first party's address stated below; immediately thereafter the parties hereto, following the formula stated above, shall determine the amount of said purchase price and shall execute and deliver an agreement of sale and purchase in the form attached hereto. Contemporaneously with the delivery of said agreement of sale and purchase, the second party shall make the first or down payment stated in said agreement.

(3) Within ten days from the date of said purchase agreement, the first party agrees to deliver to the second party a policy of title insurance insuring in the amount of said selling price marketable title to the above described premises in first party, subject to building restrictions, zoning ordinances, if any, and any liens or incumbrances against said premises to be assumed by second party in said sale; said first party may have a reasonable time to correct any defects of title which may appear.

(4) Should second party fail to exercise this option, the foregoing lease shall continue until terminated pursuant to its terms.

(5) The first party is the owner of said premises and is the manager thereof duly authorized on behalf of the owner to accept service of process and receive and receipt for notices and demands at the following address:

(6) This lease and option 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 the first party, and, so far as the terms hereof permit assignment, the successors and assigns of the second party as well.

(7) In construing this lease and option agreement it is understood that the first and second parties, one or both of them, may be more than one person or a corporation and that, therefore, if the context so requires, the singular includes the plural, all grammatical changes shall be made so that this instrument shall apply equally to corporations and to individuals.

(8) In the event of any suit or action on this lease and option agreement, reasonable attorney's fees may be awarded by the trial court to the prevailing party in such suit or action, and on appeal, if any, similar reasonable attorney's fees may be awarded by the appellate court to the party prevailing on such appeal.

(9) If premises constructed prior to 1978, see attached Lessor's and Seller's Disclosures of Information on Lead-Based Paint and/or Lead-Based Paint Records (EPA Form Nos. 504 and 503).

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands in duplicate on this, the day and year first hereinabove written.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH IN FIRE OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH LIMIT LAND USES REGARDING FIREWORKS OR FOREST PRACTICES AS DEFINED IN ORS 30.130 IN FIRE ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

PO Box 2686

First Party's Address

Lapine, OR 97739

Mary Powers
Mary Powers
H.T. Powers
First Party

Colleen M. Chambers
Colleen M. Chambers
Second Party

N. B. ATTACH FORM OF CONTRACT [see paragraphs (f) and (g)].

As a form of contract to be attached to the above lease and option, we recommend Stevens-Near numbers 704, 705, 706, 840, 841 and 854, one of which will lend itself to almost any type of sale and purchase in Oregon.

State of OregonCounty of DeschutesOn Aug 3, 1999, Mary + H.T. Paves personally appeared
before me, Colleen Chambers./ who is personally known to me/ whose identity I proved on the basis of _____

_____ whose identity I proved on the oath/affirmation of

_____, a credible witness

to be the signer of the above instrument, and he/she acknowledged that he/she signed it.

Karole Lund
Notary Public

(Seal)

My commission expires Aug 23, 2002

Return:

Colleen Chambers
P.O. Box 1553
LaPine, Or. 97739State of Oregon, County of Klamath
Recorded 8/18/99, at 2:49 p. m.
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Linda Smith,
County Clerk Fees 40⁻ 40