



Deschutes County Board of Commissioners
1300 NW Wall St., Suite 200, Bend, OR 97701-1960
(541) 388-6570 - Fax (541) 385-3202 - www.deschutes.org

AGENDA REQUEST & STAFF REPORT

For WORK SESSION of 9/7/2016

DATE: August 29, 2016

FROM: James Lewis Property & Facilities 385-1414

TITLE OF AGENDA ITEM:

Consideration of Signature of Document 2015-592, a one-year Option Agreement between Deschutes County and David Ordonez.

PUBLIC HEARING ON THIS DATE? No

BACKGROUND AND POLICY IMPLICATIONS:

David Ordonez, wishes to purchase two lots totaling 5.48 acres (2.95 and 2.53 acres individually) in the Finley Butte Industrial Park, Phase 1, Lots 10 and 17, La Pine. Mr. Ordonez proposes to build and operate a marijuana growing and processing business. There will be an initial employment of 5 to 7 full time staff, which is expected increase over time as the business grows. The site development will initially consist of a 5,000 square foot building, and associated on-site parking, landscaping and public facilities as required by the City of La Pine through the land use permitting process. Mr. Ordonez has not provided any information regarding the average wages paid to employees.

Pursuant to an Intergovernmental Agreement (IGA) between Deschutes County and the City of La Pine, the City has negotiated the terms of this Agreement with David Ordonez. This Option Agreement will allow Mr. Ordonez to complete due diligence, including acquiring the necessary permits for site development. The sale will not close until all conditions of the option agreement have been met.

FISCAL IMPLICATIONS:

A \$4,000 option payment upon execution of the agreement. Pursuant to the IGA with the City of La Pine, Deschutes County will retain one-half of the option payment (\$2,000), with the other half going to the City of La Pine. The full purchase price is \$238,709 (\$1.00 per sq. ft.) for both lots. At the time of final sale, the proceeds would again be split with the City according the provisions of the IGA.

RECOMMENDATION & ACTION REQUESTED:

Staff recommends signature of Document 2015-592.

ATTENDANCE: James Lewis

DISTRIBUTION OF DOCUMENTS:

One original to James Lewis for the Optionee.

DESCHUTES COUNTY DOCUMENT SUMMARY

(NOTE: This form is required to be submitted with ALL contracts and other agreements, regardless of whether the document is to be on a Board agenda or can be signed by the County Administrator or Department Director. If the document is to be on a Board agenda, the Agenda Request Form is also required. If this form is not included with the document, the document will be returned to the Department. Please submit documents to the Board Secretary for tracking purposes, and not directly to Legal Counsel, the County Administrator or the Commissioners. In addition to submitting this form with your documents, please submit this form electronically to the Board Secretary.)

Please complete all sections **above** the Official Review line.

Date: 8/29/2016

Department: Property & Facilities

Contractor/Supplier/Consultant Name: David Ordonez

Contractor Contact: David Ordonez

Contractor Phone #: 541-815-9698

Type of Document: Option Agreement – 1 year

Goods and/or Services: Offer to purchase real property.

Background & History: David Ordonez, wishes to purchase two lots totaling 5.48 acres (2.95 and 2.53 acres individually) in the Finley Butte Industrial Park, Phase 1, Lots 10 and 17, La Pine. Mr. Ordonez proposes to build and operate a marijuana growing and processing business. There will be an initial employment of 5 to 7 full time staff, which is expected increase over time as the business grows. The site development will initially consist of a 5,000 square foot building, and associated on-site parking, landscaping and public facilities as required by the City of La Pine through the land use permitting process. Mr. Ordonez has not provided any information regarding the average wages paid to employees.

Pursuant to an Intergovernmental Agreement (IGA) between Deschutes County and the City of La Pine, the City has negotiated the terms of this Agreement with David Ordonez. This Option Agreement will allow Mr. Ordonez to complete due diligence, including acquiring the necessary permits for site development. The sale will not close until all conditions of the option agreement have been met.

Agreement Starting Date: Upon signature

Ending Date: 12 months

Annual Value or Total Payment:

N/A ☐ Insurance Certificate Received (check box)

Insurance Expiration Date:

N/A Check all that apply:

- ☐ RFP, Solicitation or Bid Process
- ☐ Informal quotes (<\$150K)
- ☐ Exempt from RFP, Solicitation or Bid Process (specify – see DCC §2.37)

N/A Funding Source: (Included in current budget? ☐ Yes ☐ No

If **No**, has budget amendment been submitted? ☐ Yes ☐ No

8/29/2016

Is this a Grant Agreement providing revenue to the County? ☐ Yes ☒ No

Special conditions attached to this grant:

Deadlines for reporting to the grantor:

If a new FTE will be hired with grant funds, confirm that Personnel has been notified that it is a grant-funded position so that this will be noted in the offer letter: ☐ Yes ☐ No

Contact information for the person responsible for grant compliance: Name:
Phone #:

Departmental Contact and Title: James Lewis, Property Mgr. Phone #: 385-1414

Department Director Approval:  Signature 8-29-2016 Date

Distribution of Document: One original to James Lewis for the Optionee

Official Review:

County Signature Required (check one): XX BOCC ☐ Department Director (if <\$25K)

☐ Administrator (if >\$25K but <\$150K; if >\$150K, BOCC Order No. _____)

Legal Review _____ Date _____

Document Number **2016-592**

REVIEWED

LEGAL COUNSEL

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement") is made and entered into by and between **DESCHUTES COUNTY**, a political subdivision of the State of Oregon ("Owner"), and **David Ordonez**, Owner is an Individual ("Optionee"). Owner and Optionee are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

- A. Owner is a party to a certain Intergovernmental Agreement with the City of La Pine ("City") dated October 29, 2014 (the "IGA").
- B. Pursuant to the IGA, the Owner vested City the full power and authority for the marketing, promotion and sale negotiations for the real property commonly known as the La Pine Industrial Park for economic development purposes. Owner retained ownership of the real property.
- C. City and Owner are interested in the development of the La Pine Industrial Park.
- D. Owner owns title to certain unimproved real properties identified as Finley Butte Industrial Park 221014DD00700 and 221014DD00800 (see attached map, marked Exhibit "A"), together with all other rights, hereditaments, and tenements appurtenant to the property (collectively referred to as the "Property") and further described as:
 - Tax Lot 700, on Tax Assessors map Section 14DD, Township 22 South, Range 10 East, of the Willamette Meridian, Deschutes County, Oregon comprising 1.18 acres.
 - Tax Lot 800, on Tax Assessors map Section 14DD, Township 22 South, Range 10 East, of the Willamette Meridian, Deschutes County, Oregon comprising 1.22 acres.
- E. Subject to the terms and conditions of this Agreement, Optionee desires to acquire the Property and Owner has agreed to grant Optionee an exclusive option to purchase the Property on the terms and conditions provided in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and obligations contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. GRANT OF OPTION

Owner, for and in consideration of the sum of Four Thousand Dollars (\$4,000.00) paid to Owner by Optionee (the "Option Payment"), receipt of which is acknowledged by Owner, grants to Optionee the sole and exclusive option to purchase the Property in the manner and subject to the terms and conditions stated in this Agreement (the "Option").

2. OPTION TERM

2.1 Term. The term of this Agreement (the "Term") shall be one (1) year from and after the date this Agreement has been signed and dated by the Deschutes County Board of Commissioners indicated on the signature page of this Agreement (the "Effective Date"). If the expiration date falls on a Saturday, Sunday, or legal holiday recognized by the State of Oregon, Optionee's rights during such time period shall extend until 4:00 p.m. on the next business day.

2.2 Exercise of Option. The Option granted herein shall be exercised, if at all, by written notice given by Optionee to Owner (the "Exercise Notice") at any time during the Term, which notice shall state that Optionee has elected to exercise the Option. The Option may be exercised only with respect to the entirety of the Property, subject to Optionee's completion of Conditions Precedent to Owner Closing as specified in Section 7 of this Agreement, and nothing contained herein shall be construed as permitting Optionee to purchase less than all of the Property pursuant to this Option. Upon exercise of this Option, Optionee shall be obligated to purchase the Property from Owner, and Owner shall be obligated to sell the Property to Optionee, for the price and subject to the terms and conditions set forth herein.

2.3 Failure to Exercise Option. If Optionee fails for any reason to exercise this Option in the manner set forth herein, Optionee shall have no further claim against or interest in the Property or any interest in the Option Payment. In the event of the failure to exercise the Option, Optionee shall execute and deliver to Owner any recordable instrument(s) that Owner reasonably may deem necessary for the purpose of clearing title to the Property, attributable to this Agreement.

3. OPTION PAYMENT

In payment for Owner's grant of the Option, Optionee has paid Owner the cash sum of four thousand hundred dollars (\$4,000.00) as stated in Section 1 above, the receipt of which is acknowledged by Owner. No other Option Payment shall be due or payable during the Term. Whether or not the Option is actually exercised, the Option Payment shall belong to Owner. If the Option is exercised and the Property is acquired by Optionee, then the Option Payment paid by Optionee shall be credited against the Purchase Price at Closing (as those terms are defined below).

4. PURCHASE PRICE

The purchase price for the Property (the "Purchase Price") upon exercise of the Option shall be \$1.50 per square foot, payable in full and in cash at Closing. Optionee shall be given credit for Option Payment paid by Optionee to Owner. The price for the parcel shall be allocated as follows:

Tax Lot 700 - \$77,100.00

Tax Lot 800 - \$79,714.50

With the total Purchase Price being One Hundred and Fifty Six, Eight Hundred and Fourteen Dollars and Fifty Cents (\$156,814.50)

5. REMEDIES

5.1 Optionee. In the event Owner breaches any term or provision of this Agreement, then Optionee, as its exclusive remedy and in lieu of any other relief, may either (a) terminate this Agreement and obtain the return of any Option Payment previously paid to Owner under this Agreement, or (b) tender performance of the obligations of Optionee and seek to specifically enforce all obligations of Owner. Except as noted in Section 6.3 below and any specific remedies reserved elsewhere in this Agreement, Optionee waives the right to pursue any remedy in law or equity against Owner other than the remedies specified above, including, without limitation, an action for damages of any nature, in the event of a default by Owner. Notwithstanding anything to the contrary in this Agreement, prior to declaring Owner in default under this Agreement the Optionee must provide Owner ten (10) days' prior written notice (the "Default Notice") specifying with reasonable particularity all defaults under this Agreement that Optionee believes exist. Owner will have the right to cure the alleged defaults within ten (10) days after receipt of the Default Notice to avoid any breach under this Agreement.

5.2 Owner. In the event Optionee breaches any term or provision of this Agreement, and regardless of whether the breach occurs before or after

Optionee notifies Owner of the exercise of the Option, then Owner, as its exclusive remedy and in lieu of any other relief, shall be entitled to terminate this Agreement by giving Optionee written notice of termination and to retain any Option Payments paid by Optionee. Owner acknowledges (a) the adequacy of this exclusive remedy, and (b) that this limitation of remedies is an essential part of this Agreement from the perspective of Optionee. Except as noted in Section 6.3, and any specific remedies reserved elsewhere in this Agreement, Owner expressly waives the right to pursue any other right or remedy in law or equity other than the remedy specified above, including without limitation the right of specific performance and the right to sue for damages, in the event of a default by Optionee. Optionee and Owner have established the foregoing remedy in favor of Owner because of the difficulty and inconvenience of ascertaining the actual damages Owner may suffer as a result of a breach of this Agreement by Optionee.

5.3 Other Remedies. The limitations on remedies set forth in this section shall not preclude either Party from seeking or obtaining injunctive relief or from seeking recovery against the other under any contractual indemnity set forth herein or for causing physical damage or injury to persons or property.

6. CONDITIONS PRECEDENT TO OPTIONEE CLOSING

In addition to any other conditions contained in this Agreement, set forth below are certain conditions precedent for the benefit of Optionee (the "Optionee Conditions"). The Optionee Conditions are intended solely for the benefit of Optionee, and Optionee shall have the right to waive, by written notice, any of the Optionee Conditions, at its sole discretion, and giving the Exercise Notice shall not constitute such a waiver. If any Optionee Condition is not satisfied or waived on or before the deadline for satisfaction specified herein, then Optionee shall have the right to terminate this Agreement, at its sole election, by giving Owner written notice of termination ("Termination Notice") before the expiration of this Agreement. Optionee shall be entitled to return of the Option Payment paid under this Agreement, but only if the subject Optionee Condition was not satisfied by reason of a breach of this Agreement by Owner and Optionee furnishes Owner with timely Termination Notice. If Optionee does not give Owner Termination Notice before the applicable deadline, then Optionee shall be deemed to have waived the termination privilege with respect to the Optionee Condition in question. The Optionee Conditions specifically delineated in this Section 6 are the following:

6.1 On the Closing Date (as defined in Section 9), the Title Company (as defined in Section 9) shall be ready, willing, and able to issue and shall issue to Optionee upon recordation of the Owner's deed mentioned below, the title insurance policy required by Section 9.

6.2 On or before the Closing Date, Owner shall have performed or Optionee shall have waived Owner's performance of all of the covenants, conditions, agreements, and promises to be performed by it under this Agreement.

6.3 Optionee has, at Optionee's sole cost and expense, obtained all state, and local regulatory approvals (including but not limited to land use and building approvals and permits) to Optionee's satisfaction necessary to commence construction of an Industrial Building (herein "Project").

6.4 On or before Closing, Optionee shall have the opportunity to obtain at Optionee's sole cost and expense, an ALTA survey of the Property (the "Survey") from a surveyor designated by Optionee, indicating to Optionee's satisfaction that (a) there are no discrepancies in the boundaries of the Property, (b) there are no material encroachments on, or protrusions from, the Property, (c) the Property has acceptable access to a dedicated public right-of-way, (d) the Property contains 2.40 acres, (e) the Property lies adjacent to the Midstate Electric Cooperative powerline corridor, and (f) the Property does not lie within any area designated as wetlands by any governmental agency or any area determined by the United States Department of Housing and Urban Development to be flood-prone or subject to a flood hazard.

7. CONDITIONS PRECEDENT TO OWNER CLOSING

In addition to any other conditions contained in this Agreement, set forth below are certain conditions precedent for the benefit of Owner (the "Owner Conditions"). The Owner Conditions are intended solely for the benefit of Owner, and Owner shall have the right to waive, by written notice to Optionee, any of the Owner Conditions, at its sole discretion. If any Owner Condition is not satisfied or waived on or before the deadline for satisfaction specified herein, then Owner shall have the right to terminate this Agreement, at its sole election, by giving Optionee notice of termination before the deadline expires and retain the Option Money Payment. The Owner Conditions specifically delineated in this Section 7 are the following:

7.1 On or before the Closing, Optionee has furnished Owner with documentation indicating that Optionee has obtained, to Owner's reasonable satisfaction and at Optionee's sole cost and expense, all federal, state and local regulatory approvals (including but not limited to land use and building approvals and permits) necessary to commence construction on the Project. Owner's consent to the sale is for Owner's sole benefit and Owner does not represent, warrant, or covenant that the Property and/or the Optionee is in compliance with any of the items contained in this Section 7.1.

7.2 On or before Closing, Optionee has provided Owner evidence, reasonably satisfactory to Owner, that Optionee has obtained construction financing or financing commitments from its construction lender which, when combined with Optionee's equity funds, will be sufficient to complete construction of the Project.

7.3 On or before Closing, Optionee has executed all necessary documents to Owner's satisfaction and suitable for recording in the real property records of Deschutes County, Oregon by which Optionee agrees to transfer clear, lien-free title to the Property back to Owner as provided in this Section 7.3. In the event construction of the Project has not been completed within twelve (12) months of the Closing Date, Owner shall have the right (at Owner's sole discretion and option) to pay Optionee the Purchase Price less Option Payment and require Optionee to transfer the Property to Owner (the "Repurchase"). The Repurchase, if applicable, must occur no later than sixteen (16) months after the Closing Date unless Optionee has been granted, by Owner and City, pursuant to Section 18.1 any additional terms to complete construction of the Project. In the event Optionee is granted any additional time under Section 18.1 to complete construction of the Project, Owner shall retain the right to Repurchase the Property according to this Section 7.3 and Section 18.2, which such right shall be extended for any subsequent time period provided to Optionee to complete construction. Such Repurchase shall take place no later than four (4) months after the expiration of an additional term provided under Section 18.1.

7.4 On or before Closing, Optionee has executed all necessary covenants, conditions, and restrictions to Owner's satisfaction and suitable for recording with the property records of the Deschutes County Clerk's office by which Optionee and Optionee's heirs, successors, and assigns agree that the Property shall not be used for other than a general use industrial building to be used for manufacturing, wholesaling and distribution. In addition to the reacquisition right set forth in Section 7.3 and Section 18, Owner's shall have all other remedies available at law or in equity.

8. TITLE

Within fifteen (15) days following the receipt of the Exercise Notice, Owner shall request the Title Company (defined below in Section 9.1) to deliver to Optionee, at Optionee's expense, a preliminary title report (the "Title Report") covering the Property. The Title Report shall be issued by the Title Company. The Title Report shall be accompanied by legible copies of all plats and exceptions to title referenced in the Title Report (the "Exceptions"). Within forty-five (45) days of receiving the Title Report and the Exceptions documents, Optionee shall give written notice (the "Initial Notice") to Owner of the Exceptions that Optionee shall require Owner to remove of record at or before Closing (the "Unacceptable Exceptions"). If Optionee fails to give Owner an Initial Notice, then Optionee shall

be deemed to have approved the Title Report and waived any right to require Owner to remove an Exception from title. Owner shall have ten (10) days following receipt of the Initial Notice to give written notice to Optionee (the "Reply Notice") of those Unacceptable Exceptions that Owner concludes, in good faith, that Owner cannot or will not remove at or before Closing or at any time. Owner shall not have any obligation to institute litigation or spend any sum of money to cure or remove any Unacceptable Exceptions; provided, however, that Owner shall be obligated to remove, at or before Closing, any Unacceptable Exception created or suffered to be created by Owner that is security for payment of a sum of money (including mortgages, deeds of trust, tax liens, contractor's liens, and judgment liens) and any Unacceptable Exception created, or suffered to be created, by Owner after the Effective Date except for covenants, conditions, and restrictions. If one or more of the Unacceptable Exceptions cannot be removed at or before Closing and Owner so states in a duly given Reply Notice, then Optionee may exercise any of the following rights by giving written notice to Owner within fifteen (15) days of receiving the Reply Notice: (a) Optionee may terminate this Agreement and neither Party shall have any further liability; (b) Optionee may accept title to the Property subject to any such Unacceptable Exceptions; or (c) Optionee may attempt to cure the Unacceptable Exception(s) or any of them without cost or liability to Owner but Owner shall be obligated to cooperate with such cure effects and to join in the execution of any curative instruments that will operate or remove such Unacceptable Exception(s) provided that Owner shall not be required to pay any amount of money. The foregoing rights of Optionee shall not be deemed waived by giving the Exercise Notice. Exceptions that are shown on the Title Report and to which Optionee does not object or to which Optionee agrees, in writing, to waive objection, are referred to herein as the "Permitted Exceptions."

Owner shall not cause, permit, or suffer any matter to be recorded with respect to the Property during the Term, except any matter that Optionee approves, in writing and at its sole discretion, before recordation, except for any covenants, conditions, or restrictions as provided in this Agreement.

9. CLOSING

9.1 Time and Place. Closing of the sale and purchase of the Property (the "Closing") shall occur on a date (the "Closing Date") selected by Optionee, but in all events the Closing shall occur within thirty (30) days after the date that the Exercise Notice, described in Section 2.2, is given. Notwithstanding anything to the contrary in this Agreement, the Closing Date must occur on or before the expiration of the Term unless approved in writing by Owner and City. The escrow for the Closing shall be established at the office of AmeriTitle – Downtown Bend Branch (the "Title Company"), whose address is 15 NW Oregon Avenue, Bend, Oregon 97701.

9.2 Closing Obligations. On the Closing Date, Owner and Optionee shall deposit the following documents and funds in escrow, and the Title Company shall close escrow in accordance with the instructions of Owner and Optionee.

9.2.1 Owner shall deposit the following:

- (a) The conveyance documents described in Section 10, below, duly executed and acknowledged;
- (b) A duly executed affidavit certifying that Owner is not a foreign person, trust, partnership, or corporation in compliance with the requirements of IRC § 1445;
- (c) Original counterparts or legible photocopies of all documents, feasibility studies, surveys, engineering reports, and other items of a similar nature in the possession of Owner that relate to the Property;
- (d) Such documents as Optionee or the Title Company may require to evidence the authority of Owner to consummate this transaction; and
- (e) Such other documents and funds, including, without limitation, escrow instructions, as are required of Owner to close the sale in accordance with this Agreement.

9.2.2 Optionee shall deposit the following:

- (a) The cash payment for the Purchase Price less the Option Payment;
- (b) Such documents as Owner or the Title Company may require to evidence the authority of Optionee to consummate the transaction contemplated;
- (c) All necessary documents suitable for recording by which Owner may reacquire the Property from Optionee in the event construction of the Project has not been completed as described in Section 18, upon Owner's payment to Optionee of the Purchase Price less the Option Payment;
- (d) Documentation indicating to Owner's satisfaction that Optionee has obtained all state and local regulatory approvals (including without limitation, land use and building approvals and permits) necessary to commence construction of a General Use Industrial Building (herein "Project");

(e) All necessary covenants, conditions and restrictions to Owner's satisfaction and suitable for recording with the real property records of Deschutes County, Oregon by which Optionee and Optionee's heirs, successors and assigns agree that the Property shall not be used for any other purpose than a General Use Industrial Building ; and,

(f) Such other documents and funds, including, without limitation, escrow instructions as are required of Optionee to close the sale and purchase of the Property in accordance with this Agreement.

9.3 Costs. Optionee shall pay all escrow and closing fees of the Title Company with respect to the Closing. Optionee shall pay the premium for the title insurance policy that Owner is obligated to provide to Optionee. Optionee shall pay the fee (exclusive of any conveyance or excise tax) for recording the conveyance documents referred to herein.

9.4 Prorations. All real property taxes and assessments payable with respect to the tax year in which Closing occurs shall be prorated between Owner and Optionee as of the Closing Date.

9.5 Title Insurance Policies. As soon as practicable after Closing, and in any event no later than ten (10) days after the Closing Date, Owner shall cause the Title Company to issue its standard form Owner's ALTA Title Insurance Policy, with extended coverage, in the amount of the Purchase Price, insuring fee simple title to the Property vested in Optionee, subject only to the Permitted Exceptions.

9.6 Effect of Closing on Conditions. Closing and conveyance of Title to the Property to Optionee shall conclusively establish satisfaction or waiver of respective conditions precedent for Optionee and Owner to close unless expressly stated otherwise in writing at the time of conveyance.

10. CONVEYANCE

At the Closing, Owner shall execute, acknowledge, and deliver to Optionee a Bargain and Sale Deed conveying the Property to Optionee, subject only to the Permitted Exceptions and the restrictions set forth in Section 18.

11. POSSESSION

Optionee shall be entitled to exclusive possession of the Property on and after the Closing Date subject to the Permitted Exceptions.

12. COVENANTS OF OWNER

Owner acknowledges that the covenants of Owner contained in this Agreement, including the covenants contained in this Section 12 (the "Covenants"), are material inducements to Optionee to enter into this Agreement. The Covenants specifically delineated in this Section 12 are the following:

12.1 Information. Owner agrees to deliver to Optionee, within twenty (20) days after the receipt of the Exercise Notice, photocopies of all documents related to the use or ownership of the Property that Owner possesses, including and without limitation, all studies, reports, aerial photographs, and other documents of a like nature.

12.2 Maintenance. During the Term, Owner shall maintain the Property in the same condition as it now exists, ordinary wear and tear excepted, and shall not cause or permit any waste.

12.3 Ownership. During the Term, Owner shall not sell, contract to sell, assign, lease, or otherwise transfer the Property or any part of it, nor grant an option to any third party to acquire all or any portion of the Property.

13. REPRESENTATIONS OF OWNER

13.1 Hazardous Substances. Owner represents that Owner has disclosed to Optionee the environmental reports and studies in Owner's possession relating to any generation, manufacture, refinement, transportation, treatment, storage, handling, disposal, transfer, or production of hazardous substances, or other dangerous or toxic substances or solid wastes and except as contained or referred to in said reports and studies, Owner's representative signing below solely in their capacity as Owner's representative has no actual notice without further investigation or inquiring regarding the release of any hazardous substances on the Property.

13.2 Property Condition. Owner represents that, to Owner's actual knowledge, without further investigation or inquiry, (a) the Property will be in substantially its present condition at the time Optionee is entitled to possession, (b) except as disclosed in writing, Owner has no notice of any liens to be assessed against the Property, (c) Owner has no notice that there is any condemnation, environmental, or similar proceeding, existing or planned which could detrimentally affect the use, development, or value of the Property, (d) Owner has no notice from any governmental entity of any violation of law relating to the Property, and (e) Owner is not a "foreign person" under the Foreign Investment in Real Property Tax Act (FIRPTA).

13.3 Changed Conditions. If Owner discovers that one or more of the representations or one of the conditions referred to in this Section 13 has changed after this Agreement is executed, through no fault of Owner, Owner shall immediately inform Optionee, in writing, of such discovery. If the changed condition cannot be cured within ten (10) days of the date Owner discovers the change, then Optionee may terminate this Agreement and its exercise of the Option, if any, by giving written notice of termination to Owner within fifteen (15) days after receiving the notice from Owner, and in such event any Option Payment previously paid by Optionee pursuant to this Agreement shall be returned to Optionee. If the changed condition can be corrected within ten (10) days after discovery by Owner, Optionee shall not have the right to terminate this Option Agreement pursuant to this Section 13 and Owner shall correct the changed condition within ten (10) days of the discovery of such changed condition.

13.4 Zoning. The Property is currently subject to City of La Pine zoning regulations which restrict the development and use of Property pursuant to all applicable City of La Pine adopted zoning and development regulations. During the Term, Owner shall sign any consents reasonably requested by Optionee in order to secure any permits and regulatory approvals pertaining to the Property; provided, however, that such assistance shall not be construed as Owner's governmental approval of any land use, site development or building construction approvals necessary for the Project and further provided that Owner shall not be required to pay any sums associated with obtaining such consents and approvals.

13.5 Access to Property. Owner grants to Optionee and its agents non-exclusive, revocable access to Property for the purposes of conducting necessary tests, inspections, and surveys at any reasonable time following delivery of the Exercise Notice. Such tests, inspections, and surveys will be undertaken at Optionee's expense and without charge or obligation to Owner. Optionee shall defend, indemnify, and hold Owner harmless from and against any liability, action, or claim arising out of Optionee's exercise of the rights granted by this Section 13. If Optionee conducts any tests on the Property it shall restore the Property to its original condition after the completion of the tests and shall provide Owner with proof of insurance in a form and in amounts reasonably approved by Owner prior to entering the Property.

13.6 AS-IS. Except for Owner's express written agreements and written representations contained herein, Owner makes no representations or warranties as to the condition of the Property or any improvement on the Property. Owner expressly excludes all warranties with respect to the Property, express and implied, including, without limitation, the warranty of merchantability, the warranty of fitness for a particular purpose, and any warranties that may have arisen from course of dealing or usage of trade. If Optionee exercises Optionee's right to

purchase, then Optionee is purchasing the Property in its "as is" present condition and with all defects, apparent or not apparent.

14. RECORDING

If Optionee fails to exercise the Option before the Term expires, Optionee shall within five (5) days of written demand, execute, acknowledge and deliver to Owner a statutory quitclaim deed or other appropriate recordable instrument to Owner's satisfaction releasing Optionee's interest in the Property.

15. WAIVER

Failure by Owner or Optionee to enforce any right under this Agreement shall not be deemed to be a waiver of that right or of any other right.

16. SUCCESSORS AND ASSIGNS

Subject to the limitations on Owner's right to convey the Property set forth in this Agreement, the terms, covenants, and conditions contained in this Agreement shall be binding on and inure to the benefit of the heirs, successors, and assigns of Owner and Optionee. Optionee may not assign its interest in the Option granted under this Agreement and the Property to any person or entity, without the prior written consent of Owner and City, which consent shall not be unreasonably denied or delayed.

17. NOTICES

All notices required or permitted to be given shall be in writing and shall be deemed given and received on personal service or deposit in the United States Mail, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

To Owner: Deschutes County,
Property and Facilities Director
14 NW Kearney Avenue
Bend, Oregon 97701

With a copy to: City of La Pine
Attn: Cory Misley, City Manager
PO Box 2460
La Pine, Oregon 97739

To Optionee: David Ordonez
1374 NW Milwaukie Ave.
PO Box 1293
Bend, OR 97709
Phone 541-815-9698
Ordonez1967@hotmail.com

The foregoing addresses may be changed by written notice, given in the same manner. Notice given in any manner other than the manner set forth above shall be effective when received by the Party for whom it is intended.

18. OWNER'S OPTION TO REACQUIRE THE PROPERTY

18.1 Duty to Construct/Occupy. Within twelve (12) months after Closing of the Property, Optionee shall use reasonable diligence to complete construction of the Project. The Owner, with the prior written approval from the City, which approval may be withheld in City's sole discretion, may extend the foregoing deadline two additional terms of twelve (12) months each, not to exceed thirty-six (36) months from the Closing to completion of the Project. After commencement of construction of the Project, Optionee shall diligently prosecute to completion. To that end, no structure shall remain in a partially finished condition any longer than reasonably necessary for completion thereof. The construction will be performed in a workmanlike manner and will comply with all applicable governmental permits, laws, ordinances and regulations, including, without limitation, any applicable Legal Requirements. The requirements of this Section 18 will survive the Closing. For purposes of this Agreement, the term "Legal Requirement(s)" means any and all rules, regulations, covenants, conditions, restrictions, easements, declarations, laws, statutes, liens, ordinances, orders, codes, rules, and regulations directly or indirectly affecting the Property and/or Optionee's business, including, without limitation, the Americans with Disabilities Act of 1990 (and the rules and regulations promulgated thereunder), all as now in force and/or which may hereafter be amended, modified, enacted, or promulgated.

18.2 Failure to Construct/Occupy. Optionee acknowledges that a substantial part of the consideration of Owner for entering into this Agreement including the Option is the construction of the Project on the Property related to Optionee's business and/or the use of the Property for Optionee's business. Owner would not have entered into this Agreement without the agreement by Optionee to develop and use the Property and that any failure by Optionee to construct the Project in form and substance to be approved by Owner on the Property and to occupy and use the Property for Optionee's business will result in damage to Owner in an amount which would be very difficult to ascertain. If Optionee fails to commence and complete construction according to Section 18.1 and to occupy and use the Property for Optionee's business, Owner reserves the

right to repurchase the Property for the initial Purchase Price; provided, however, in the event that construction has commenced or been completed at the time of the buyback, the purchase price shall be the initial Purchase Price plus the lesser of: (i) the actual costs incurred in connection with the portion of construction completed; or (ii) the fair market value of the portion of construction constructed as determined by the Owner. The rights and obligations imposed by this Section 18.2 and this right to repurchase the Property by Owner shall survive Closing and the recording of the deed.

18.3 Hazardous Substances. During such twelve (12) month period described in Section 18.1 and such longer period as is needed to close the repurchase of the Property by Owner, Optionee shall keep the Property free of hazardous substances. Optionee shall comply fully with all laws pertaining to the protection of human health and the environment, including, without limitation, employee and community right-to-know laws and all laws regarding the use, generation, storage, transportation, treatment, disposal, or other handling of hazardous substances. Optionee shall promptly advise Owner in writing of any hazardous substances regulated by such laws that are used, generated, manufactured, stored, transported, or otherwise handled on the Property, except for small quantities of petroleum products used in the ordinary course of construction. Optionee shall exercise extreme care in handling any hazardous substances and shall not cause or permit hazardous substances to be spilled, leaked, disposed of, or otherwise released on the Property.

19. INDEMNIFICATION

Optionee shall indemnify, defend, and hold Owner and Owner's current and future officers, employees, contractors, and agents (collectively, "Owner's Agents") and City and City's current and future officers, employees, contractors, and agents (collectively, "City's Agents"), harmless for, from, and against any and all claims, losses, damages, and/or liabilities arising out of or related to, whether directly or indirectly, the following: (a) any and all activity of Optionee and/or Optionee's members, managers, officers, employees, agents, and/or contractors (collectively, "Optionee's Agents") on or at the Property; (b) damages to the Property or any portion thereof; (c) injuries to or death of any person or persons, including, without limitation, Owner's Agents or City's Agents; (d) any condition of the Property including, without limitation, any improvements constructed thereon, that is caused by Optionee and/or Optionee's Agents while the Property are in the possession or under the control of Optionee; (e) Optionee's breach and/or failure to perform any Optionee obligation, covenant, representation, and/or warranty under this Agreement; (f) any and all claims, demands, workers' compensation claims in any way resulting from the negligent or wrongful acts or omissions of Optionee and/or Optionee's Agents, except for any such damage or injury as a result of the negligence or wrongful acts or omissions of Owner and/or Owner's Agents; (g) any claims, demands or liens involving labor, services or

materials furnished to or on account of the Property preliminary to construction of the Project, (h) Optionee and/or its Agents access to the Property prior to the Closing in accordance with Section 13.5, and/or (i) Optionee's ownership, use, maintenance, and operation of the Property from and after the Closing Date. Optionee's indemnification obligations under this Section 19 will survive the expiration or termination of this Lease.

20. INTEGRATION; MODIFICATION; SEVERABILITY

This Agreement and attached Exhibits, if any, constitute the entire agreement of the Parties with respect to the Property and supersedes all prior written and oral negotiations and agreements with respect to the Property. This Agreement may not be modified or amended except by a writing signed by all Parties to the Agreement. The Parties agree that if any term or provision of this Agreement is declared by a court of competent jurisdiction to be void, invalid or unenforceable, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the Parties shall be construed and enforced as if this Agreement did not contain the particular term or provision held to be void, invalid or unenforceable.

21. REPRESENTATION BY LEGAL COUNSEL

Owner and Optionee have each been represented by separate legal counsel of choice with respect to this transaction. Each Party shall be responsible for all attorney fees incurred by it with respect to this Agreement, including without limitation litigation or alternative dispute resolution.

22. GOVERNING LAW; VENUE; INTERPRETATION

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Oregon. If any dispute arises regarding this Agreement, the Parties agree that the sole and exclusive venue for resolution of such dispute will be in Deschutes County, Oregon. All Parties submit to the jurisdiction of courts located in Deschutes County, Oregon for any such disputes.

23. TIME IS OF THE ESSENCE; WAIVER; FURTHER ASSURANCES

Time is of the essence with respect to each and every obligations of the Parties to this Agreement. The Parties will sign other documents and take all other actions reasonably necessary to further effect and evidence this Agreement. No waiver will be binding on a Party unless it is in writing and signed by the Party making the waiver. A Party's waiver of a breach of a provision in this Agreement will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision.

24. AUTHORITY TO EXECUTE

Each person executing this Agreement on behalf of Owner and Optionee, respectively, covenants that it possesses the legal authority to bind its principals to the terms, provisions and obligations contained within this Agreement. If it is determined that Owner does not have authority to enter into this Agreement, Owner may terminate this Agreement by providing written notice to Optionee.

25. INTERPRETATION

All pronouns contained herein and any variations thereof will be deemed to refer to the masculine, feminine, or neutral, singular or plural, as the identity of the parties may require. The singular includes the plural and the plural includes the singular. The word "or" is not exclusive. The words "include," "includes," and "including" are not limiting. The term "person" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision, or any other entity. The titles, captions, or headings of the sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

26. LITIGATION FEES AND EXPENSES

If any arbitration or litigation is instituted to interpret, enforce, or rescind this Agreement, including, without limitation, any proceeding brought under the United States Bankruptcy Code, the prevailing Party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing Party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including, without limitation, the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

26. STATUTORY DISCLAIMER

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 THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S

RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

(Signature pages follow)

IN WITNESS WHEREOF, the Parties have caused this Lease to be effective for all purposes as of the Effective Date.

OWNER:

DATED this ____ day of _____, 2016 **BOARD OF COUNTY COMMISSIONERS
OF DESCHUTES COUNTY, OREGON**

ALLEN UNGER, Chair

ATTEST:

ANTHONY DEBONE, Commissioner

Recording Secretary

TAMMY BANEY, Commissioner

STATE OF OREGON)
) ss.
County of Deschutes)

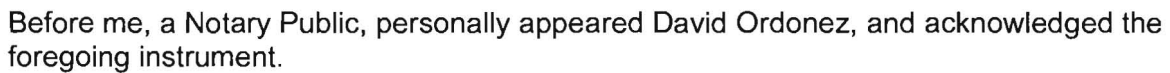
Before me, a Notary Public, personally appeared ANTHONY DEBONE, ALAN UNGER and TAMMY BANEY, the above-named Board of County Commissioners of Deschutes County, Oregon and acknowledged the foregoing instrument on behalf of Deschutes County, Oregon.

DATED this ____ day of _____, 2016

Notary Public for Oregon My Commission Expires: _____

DATED this 29 day of August, 2016 DAVID ORDONEZ

STATE OF OREGON)
County of Deschutes) ss.



DATED this 29 day of August, 2016

Deborah Lakue Cook My Commission Expires: 10/14/2019
Notary Public for Oregon

In accordance with that certain Intergovernmental Agreement between City and County dated October 29, 2014, City hereby acknowledges receipt and acceptance of this Option Agreement.

Cory Misley, City Manager

Before me, a Notary Public, personally appeared CORY MISLEY, the above-named City Manager of La Pine, Oregon and acknowledged the foregoing instrument on behalf of La Pine, Oregon.

Patricia E. Morgan
Notary Public for Oregon

My Commission Expires:



EXHIBIT A

(attached)

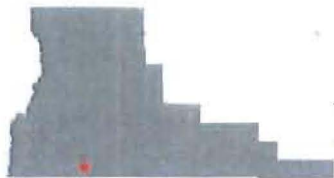
Deschutes County Property Information - Dial

Overview Map



Deschutes County GIS, Sources: Esri, USGS, NOAA

Map and Taxlot: 221014DD00700



Deschutes County Property Information - Dial

Overview Map



Deschutes County GIS, Sources: Esri, USGS, NOAA

Map and Taxlot: 221014DD00800

