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MEMORANDUM OF LEASE OPTION AGREEMENT

August 21, 2002

BETWEEN: Herbert George Richards (First Party)
4903 Darwin Place
Klamath Falls, Or 97603

State of Oregon, County of Klamath
Recorded 08/21/2002 2:46 p.m.
Vol M02, Pg 47182
Linda Smith, County Clerk
Fee \$ 21.00 # of Pgs 1

AND: Daniel J. Morehouse and Valerie B. Morehouse (Second Party)
5241 Shasta Way
Klamath Falls, Or 97603

PURSUANT to a Lease Option Agreement dated August 21 2002 , First Party agrees to lease to the Second Party that certain property situated at 4726 Sturdivant Avenue, in Klamath Falls, Or (Lot 8, Block 7, Tract No. 1025, Winchester), and according to the terms of the Lease Option Agreement.

Lessor grants to Lessee the option to purchase the premises at any time during the term of the lease AND BEFORE March 21, 2003, provided lessee is not in default of the terms of the lease agreement. Lessee shall give Lessor not less than 30 days notice in writing of the exercise of this Option.

Actual Sales Price and Down Payment shall be paid and/or credited per the terms of the Lease Option Agreement.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING ANY USE IN OR TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

IN WITNESS WHEREOF, the parties have caused this memorandum to be executed as of the day and year first above written.

First Party/Lessor

Herbert George Richards
Herbert George Richards
Susan Richards
as attorney in fact

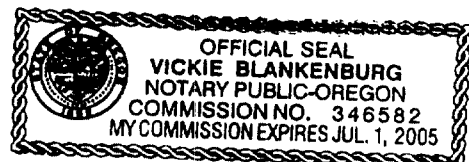
Second Party/Lessee

Daniel J. Morehouse by Valerie B. Morehouse
Daniel J. Morehouse as his attorney in fact
Valerie B. Morehouse
Valerie B. Morehouse

State of Oregon
County of Klamath

On August 21, 2002 personally appeared the above named Valerie B. Morehouse and Daniel J. Morehouse for Daniel J. Morehouse as his attorney in fact and Susan Richards for Herbert George Richards as his attorney in fact

Before me: Vickie Blankenburg
My Commission expires:



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