

State of Oregon, County of Klamath
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FORM No. 859 - LEASE AND OPTION AGREEMENT (For dwelling unit use in Oregon, See No. 974).

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THIS AGREEMENT, Made and entered into this 20th day of April, 2005 ~~xxx~~,
 by and between ITP Financial Services, LLC
Theodore D. Pittman, hereinafter called the first party (whether singular or plural), and

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 Chiloquin, County of Klamath and State of Oregon, to-wit:

Lot 16, Block 2, Juniper Acres, according to the official plat thereof, on file in the office of the County Clerk, Klamath County, Oregon.

known as 23743 Cherrywood Ln., Chiloquin, Oregon 97624
 for a term beginning the 20th day of April, 2005 ~~xxx~~, and extending to and including midnight on the 30th day of April, 2006 ~~xxx~~, at and for a rental of \$ 165.00 per month during said term, payable in advance in lawful money of the United States to the order of the first party as follows:

Payment due by 10th of Month.
 Payment Late by 20th of Month.
 Late Fee of \$20.00 per Month.

Pay to: ITP Financial Services, LLC
 1505 Madison St, Sp #7
 Klamath Falls, OR 97603
 (541) 883-1939
 (541) 281-7773

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

(a) The second party expressly agrees to pay said rents at the times aforesaid; to use said premises for homesite or other lawful purpose

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 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 used on said premises; to keep said premises, including all exposed plumbing, heating equipment and apparatus and elevators, if any, 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 or cracked in the windows and doors of said premises with glass of as good or better quality than that now in use; to permit the first party, first party's agents and representatives, at any time during business hours to enter said premises 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 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 the 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 thereabouts 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.

(b) In the event of the destruction of the building on said premises from any cause, the first party may terminate this lease after ten days written notice to the second party, effective as of the date of said destruction, and the second party may terminate this lease, effective as of said date; provided, however, that if the damage to said building is more than 11/2 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; if the first party so elects, 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.

(c) 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, without notice may immediately or at any time while said default continues, enter upon said premises and repossess the same, expel the second party and remove second party's effects at second party'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 second party.

(d) 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 at will by either party hereto. In the event of any suit or action on this lease, the second party agrees to pay such additional sum as the court may adjudge reasonable to be allowed plaintiff 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 plaintiff's attorney's fees on such appeal.

All Property Taxes and other lawful assessments are to be paid by the First Party (Sellers) and are to be reimbursed by the Second Party (Buyers)

(e) **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 second party's 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 \$ 15,500.00, 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 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 unearned insurance premiums, plus

Purchase contingent upon the County's approval of a Standard Septic System.

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 11.000 per cent 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 first party on said building and not previously expended by first party for its repair or restoration.

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

(g) 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 30th day of April, 2006, at 5:00 P.M., by notifying the first party of the 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.

(h) 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.

(i) While this lease is in effect, the second party will, at second party's expense, keep and deliver to the first party liability insurance policies in form and with an insurer satisfactory to the first party, naming the first party as an additional insured party.

(j) Should second party fail to exercise second party's said option, the foregoing lease shall continue until terminated pursuant to its terms.

(k) 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.

(l) 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 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.

Purchaser is Theodore D. Pittman, with Right of Survivorship to Judith Mria Pittman.

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

1505 Madison St, Sp #7
First Party's Address
Klamath Falls, OR 97603

Charles A. Skellham
ITP Financial Services, LLC
By: Charlene A. Skellham

First Party

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 FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. 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 APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

Theodore D. Pittman
Theodore D. Pittman

Second Party

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

As a form of contract to be attached to the above lease and option, we recommend Stevens-Ness numbers 704, 705, 706, 840, 845 and 854, one of which will lend itself to almost any type of sale and purchase in Oregon.

STATE OF OREGON

County of Klamath

SS.

On April 20, 2005

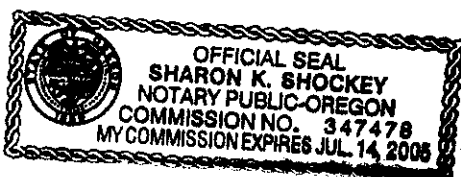
DATE

before me personally appeared Theodore D. Pittman

and Charlene A. Skellham

whose identity was established to my satisfaction, and who executed the foregoing instrument, acknowledging to me that the same was executed freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal on the date first written above.



Notary Public for Oregon
My commission expires 7-14-2005