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State of Oregon, County of Klamath
Recorded 06/01/05 3:45 p m
Vol M05 Pg 40809-12
Linda Smith, County Clerk
Fee \$ 36.00 # of Pgs 4

1st C05-107
LEASE OPTION AGREEMENT

This agreement it to be attached to and become a part of Earnest Money and Sale Agreement # BD052605 dated 05/27/05 by and between Ron and Sue Burns as Lessor and Louisa Horton hereinafter called Lessee;

Lessor hereby leases to Lessee the premises situated at 11742 Hwy 39, County of Klamath, State of Oregon and more particularly described as Portion of S2S2NE4 Sec 1 T22P 40R92 9E Klam Hwy 39 Road together with all appurtenances for a term of 10 Months (see terms of Agreement) to commence on June 16, 2005, and to end on April 15, 2006 at 12:00 Midnight.

RENT: Lessee agrees to pay without demand to Lessor as rent for the premises the sum of Three Thousand Six Hundred & no/100 Dollars \$3600.00 payable as follows: Prior to 06/16/05 Dollars \$1200.00 each month beginning Sept. 16, 2005 through April 15, 2006. Payments to be paid to Ron and Sue Burns at _____ with _____ Dollars \$ _____ of each payment going towards the rent and \$1000.00 paid in advance Dollars \$ _____ of each payment going towards the Option to purchase.

QUIET ENJOYMENT: Lessor covenants that on paying the rent and performing the covenants herein contained, Lessee shall peacefully and quietly have, hold and enjoy the premises for the agreed term.

USE OF PREMISES: The Premises shall be used and occupied by Lessee exclusively as a private single family residence. Lessee shall comply with all the sanitary laws, ordinances, rules and orders of appropriate governmental authorities affecting the cleanliness, occupancy, and preservation of the premises and any restrictions and regulations unique to the N/A area of _____.

CONDITION OF PREMISES: Lessee stipulates that he/she has examined the premises, including the grounds and all buildings and improvements, and that it is, at the time of this lease, in good order, and a safe, clean and tenantable condition.

ASSIGNMENT OF SUBLETTING: Lessee shall not assign this lease, or sublet or grant any concession or license to use the premises or any part thereof without the prior written consent of Lessor, with the understanding the Lessor would not unreasonably withhold consent. A consent by Lessor to one assignment, subletting,

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concession, or license shall not be deemed to be a consent to any subsequent assignment, subletting, concession or license. An assignment, subletting, concession or license without the prior written consent of Lessor, or an assignment or subletting by operation of law, shall be void and shall, at the Lessor's option, terminate this lease.

ALTERATIONS AND IMPROVEMENTS: Lessee shall make no alterations to the buildings on the premises or construct any building or make other improvements on the premises without the prior written consent of Lessor. All alterations, changes and improvements built, constructed or placed on the premises by Lessee, with the exception of fixtures, removable without damage to the premises and movable personal property shall, unless otherwise provided by written agreement between Lessor and Lessee, be the property of Lessor and remain on the premises at the expiration or sooner termination of this lease.

DAMAGE TO PREMISES: If the premises, or any part thereof, shall be partially damaged by fire or other casualty not due to lessee's negligence or willful act or that of his employee, family, agent, or visitor, the premises shall be promptly repaired by Lessor and there shall be an abatement of rent corresponding with the time during which and the extent to which, the leased premises may have been untenable, but, if the leased premises should be damaged by Lessee's negligence or willful act or that of his employee, family, agent, or visitor to the extent that Lessor shall decide not to rebuild or repair, the term of this lease shall end and the rent shall be prorated up to the time of the damage and the Option money in the amount of One Thousand Dollars, _____ is to be refunded. All other moneys paid shall be considered rent.

DANGEROUS MATERIALS: Lessee shall not keep or have on the leased premises any article or thing of a dangerous, inflammable, or explosive character that might unreasonably increase the danger of fire on the leased premises or that might be considered hazardous or extra hazardous by any responsible insurance company.

UTILITIES: Lessee shall be responsible for arranging for and paying for all utilities services required on the premises.

MAINTENANCE AND REPAIR: Lessee will, at his sole expense, keep and maintain the leased premises and appurtenances in good and sanitary condition and repair during the term of this lease and any renewal thereof. In particular, Lessee shall keep the fixtures in the house or on or about the leased premises in good order and repair; and, at their sole expense, shall make all required repair to appliances left on premises, plumbing, heating apparatus, and electric or gas fixtures.

ANIMALS: Lessee shall keep no more than (_____) domestic animals on or about the leased premises without the written consent of Lessor.

RIGHT OF INSPECTION: Lessor and his/her agents shall have the right at a reasonable appointed time (no less than 24 hours) during the term of this lease and any renewal thereof to enter the premises for the purpose of inspecting the premises and all building and improvements thereon.

SURRENDER OF PREMISES: If at the expiration of the lease term the Option is not exercised, Lessee shall quit and surrender the premises in as good state and condition as they were at the commencement of this lease, reasonable use and wear thereof and damages by the elements expected.

DEFAULT: Lessee will be considered in default if the rent is not paid within (1) days past the 16th day of each month. If any default is made in the payment of rent, or any part thereof, at the times herein above specified, or if any default is made in the performance of or compliance with any other term of condition hereof, the lease, at the option of the Lessor, shall terminate and be forfeited, and Lessor may re-enter the premises and remove all persons therefrom. Lessee shall be given 72 hours notice of any default or breach and termination and forfeiture of the lease shall not result if within 72 hours of receipt of such notice, Lessee have corrected the default or breach or have taken action reasonably likely to effect such correction within a reasonable time.

ABANDONMENT: If at any time during the term of this lease, Lessee abandons the premises of any part thereof, Lessor may, at his/her option, enter the premises by any means without being liable for any prosecution therefore, and without becoming liable to Lessee for damages or for any payment of any kind whatever, and may, at his/her discretion, as agent for Lessee, relet the premises, or any part thereof, for the whole or any part of the then unexpired term, and may receive and collect all rent payable by virtue of such reletting.

OPTION TO PURCHASE

Upon the signing by all parties to this agreement, \$ 1000.00 Dollars shall be paid and shall be consideration for this option. Lessor grants to Lessee the option to purchase the premises at any time during the term of this lease, provided that 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. The terms and conditions of sale shall be Two Hundred and Twenty Five Thousand and no/ 100Dollars, \$ 225,000.00, purchase price payable contemporaneously with tender of a warranty deed on or before the 16th day of April, 2006.

Lessor shall credit Lessee on the purchase price the sum of
\$ 1000.00

_____ Dollars heretofore paid by Lessee to Lessor as
Option money and if rents paid according to specified terms an additional \$**None**
_____ Dollars per month shall be credited to Option down
payment making a total credit of --- Dollars
_____. If Option exercised sooner than _____ months, _____,
_____ -- _____ Dollars from each month paid shall be credited to
down payment.

If this Option is not exercised than Option money and all rents paid shall be considered rent only and all funds paid shall be forfeited.

Lessor shall pay for property taxes and insurance during the term of the lease.

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BINDING EFFECT: The covenants and conditions hereto contained shall apply to and bind the heirs, legal representatives, and assigns of the parties hereto, and all covenants are to be construed as conditions of this lease.

Date: _____ Lessor: _____

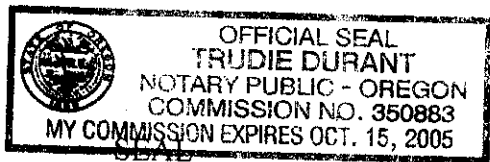
Date: _____ Lessor: _____

Date: 5-27-05 X Lessee: Yvonne L. Horton

Date: 5/27/05 LESSOR: [Signature]
Lessee: [Signature]

IN WITNESS WHEREOF, the parties have executed this lease at Klamath Falls, Oregon, on May 31st, 2005, first above written.

Louisa L. Horton and
and
acknowledged the foregoing instrument to be their voluntary act and deed.



Trudie Durant
Notary Public for Oregon
My commission expires: 10/15/05

STATE OF OREGON)
)
County of Klamath) SS.

Before me this _____ day of _____, 20____, personally appeared the above named _____ and
_____ and

acknowledged the foregoing instrument to be his/her voluntary act and deed.

Notary Public for Oregon
My commission expires: _____