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State of Oregon, County of Klamath
Recorded 07/15/05 11:49 m
Vol M05 Pg 54365-68
Linda Smith, County Clerk
Fee \$ 36.00 # of Pgs 4

OPTION AGREEMENT TO PURCHASE

1st 628459

THIS OPTION TO PURCHASE, hereinafter "Agreement", is made and entered on the date below signed by and between Richard D. Lyon and Jeannie R. Lyon, Husband and Wife, hereinafter "Grantors", and Rodney R. Lyon and Marie M. Lyon, Husband and Wife, hereinafter "Grantees", subject to the following terms, conditions and covenants which follow:

1. **Subject Matter:** Grantors grant to Grantees, their heirs, successors and assigns, an exclusive irrevocable option to purchase the following described real property, together with all improvements thereon, situated in: the N1/2, NE1/4, SW1/4, Section 2, Township 41S, Range 12, East Willamette Meridian, according to the official plat on file thereof in the Office of the County Clerk, Klamath County, Oregon.

2. **Consideration:** Consideration for the grant of this option is other good and valuable consideration consisting as follows:

- A. A loan by Grantees to Grantors, secured upon the property described by this Option Agreement;
- B. A leaseback of the subject property in the sum of \$100.00 per year, payable in arrears commencing on July 1, 2006; and
- C. Each other and further consideration as evidenced in an Owner's Sale Agreement, upon which Grantees sold to Grantors, certain real property, a portion of which is described by this option.

3. **Term of Option:** This option shall continue indefinitely but shall terminate if not exercised:

- A. Upon the release in writing by Grantees or the survivor thereof, delivered to Grantors;
- B. Upon exercise;
- C. On December 31, 2020 if not exercised; or
- D. Upon written demand by Grantors that Grantee exercise the option by a date certain, not less than 24 months from the date of notice, together with payment of all sums due Grantees as otherwise secured by a note and trust deed on the subject premises.

4. **Lease:** Grantors lease to Grantees for Grantees' exclusive use, possession, occupancy and control of the described real property, together with all improvements located thereon during the entire term of this option. Grantors acknowledge that the lease described herein above is part of and does not represent the entire consideration for this lease, and that the

failure to make payment thereon by Grantees to Grantors shall not constitute a term of breach of the lease and that Grantors sole remedy is to claim as additional consideration on the exercise of the option or as an offset from any sums due from Grantors to Grantees on account of any note and trust deed secured hereon, those unpaid lease payments.

5. **Warranties**: Grantors herein make no warranties, expressed or implied, during the term of this option to purchase relating to the title, marketability or alienability of the premises or of the improvements thereon.

6. **Notice of Exercise**: Notice of exercise of the option shall be in writing and delivered by Grantees by Grantors, not later than 5:00 p.m. on the date of which the right of exercise of the option will expire. All notices herein shall be deemed effective when physically served and delivered, or if posted in the U.S. Mail or delivered to a recognized alternative to the postal delivery service and actually delivered for transmission as evidenced by a certificate acknowledging the same. When sent by U.S. Mail or alternative postal delivery, notice shall be deemed effective when mailed and receipt therefore is obtained, or upon delivery into an alternate postal delivery service when receipt is given therefor. Until further notice, all notices shall be given as follows:

- A. Richard D. Lyon and Jeannie R. Lyon
32857 Transformer Road
Malin, Oregon, 97632
(Grantors)
- B. Rodney R. Lyon and Marie M. Lyon
20302 Pagyr Road
Malin, Oregon, 97632
(Grantees)

7. **Price, Terms and Conditions**: On exercise of consideration due, Grantors shall be paid in cash subject to appropriate credits and debits as the account between Grantors and Grantees shall appear.

8. **Closing Cost**: The parties hereto agree that the costs associated with the preparation of documents, recording fees including costs shall be split equally between the parties. Pro-rative taxes and lease installment payments shall be made effective on the date of closing.

9. **Remedies on Default**: Grantors and Grantees acknowledge that the interest in real property is special and unique. Grantors and Grantees acknowledge that money damages may be inadequate; that Grantees shall have in addition to all remedies afforded by law, the right to seek specific performance of this Agreement.

10. **Right of Assignment**: Grantees will not assign, transfer, pledge, hypothecate, surrender or dispose of any rights or interests in and to this Agreement. Any attempted

assignment shall be deemed null and void and may at the election of the Grantors permit cancellation of their rights herein.

11. **Release Upon Non-Exercise:** Grantees covenant and agree that upon extinguishment of the right of option or upon the release thereto and non-exercise, that they shall deliver to Grantors release of the option being granted herein.

12. **Separate and Distinct Agreements:** Upon entry into this Option Agreement, Grantees contemplate loaning to Grantors, a sum of money to be evidenced by a promissory note issued by both Grantors to the benefit of Grantees, and secured by a deed of trust upon the subject real property herein. Except as may be applied towards a credit of the price on exercise of the option, the note, trust deed and all rights and remedies contained therein are separate and distinct from the terms of this Option and Agreement and shall not effect the enforceability of the terms thereof, nor shall a payment thereof serve to extinguish any rights contained within this Agreement.

13. **Representation:** Bradford J. Aspell of Aspell, Della-Rose & Richard, Attorneys at Law, 122 South 5th Street, Klamath Falls, Oregon, 97601, has been employed to represent the Grantees in this transaction. Grantors have been advised that the above-named attorney represents Grantees exclusively, and have been afforded an opportunity to seek counsel of their choosing prior to closing, and enter this Agreement based upon full knowledge of their legal rights, responsibilities and duties afforded herein.

14. **Attorney's Fees:** In the event it shall become necessary for either party to this Agreement to engage the services of an attorney to represent them in any suit, action or proceeding, including the interpretation or the enforcement of this Agreement, the prevailing party, whether suit, action or other proceeding is instituted thereon, shall be entitled to collect from the other, a contribution towards that parties' reasonable attorney's fees, together with costs and disbursements incurred therein, including but without limitation, the costs of all appraisers, accountants, experts, witnesses or receivers.

15. **Full and Complete Agreement:** This Agreement and an Owner Sales Agreement being executed contemporaneously herewith, constitutes a full and complete agreement between the parties, effecting all rights thereof.

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GRANTORS:

STATE OF OREGON)
) ss.
 County of Klamath)

DATED This 15 day of July, 2005.


 RICHARD D. LYON
 32857 Transformer Road
 Malin, OR 97632


 JEANNIE R. LYON
 32857 Transformer Road
 Malin, OR 97632

SUBSCRIBED AND SWORN to before me this 15 day of July, 2005, by
 Richard D. Lyon and Jennie R. Lyon.

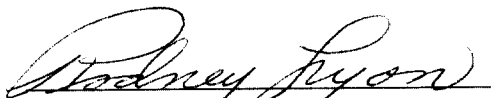


Notary Public for Oregon
 My Commission Expires: 8-2-07

GRANTEES:

STATE OF OREGON)
) ss.
 County of Klamath)

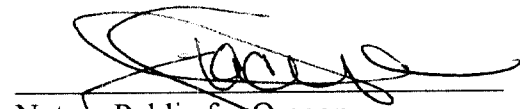
DATED This 15 day of July, 2005.


 RODNEY R. LYON
 20302 Pagyr Road
 Malin, OR 97632


 MARIE M. LYON
 20302 Pagyr Road
 Malin, OR 97632

SUBSCRIBED AND SWORN to before me this 15 day of July, 2005, by
 Rodney R. Lyon and Marie M. Lyon.




 Notary Public for Oregon
 My Commission Expires: 8-2-07