

LEASE AGREEMENT WITH
OPTION TO PURCHASE UNDER CONTRACT OF SALE

FRANK L. LYTTLE, Lessor and Optionor

SHARON K. LYTTLE, Lessor and Optionor

SAMUEL B. WORLEY, Lessee and Optionee

JOAN D. WORLEY, Lessee and Optionee

TABLE OF CONTENTS

PREAMBLE	1
I. LEASE AGREEMENT	1
Section 1.01: Term of Lease	1
Section 1.02: Rent	1
Section 1.03: Utility Charges	2
Section 1.04: Taxes	2
Section 1.05: Mortgage Payments	2
Section 1.06: Indemnity Agreement	2
Section 1.07: Alterations and Improvements	3
Section 1.08: Destruction of Premises	3
Section 1.09: Condition of Premises	4
Section 1.10: Maintenance of Premises	4
Section 1.11: Improvements to the Demised Premises	4
Section 1.12: Assignment and Subletting	5
Section 1.13: Default by Lessee	5
Section 1.14: Lessor's Election to Continue During Breach	6
Section 1.15: Subordination of Lease	6
Section 1.16: Entry by Lessor	6
Section 1.17: Manner of Entry by Lessor	7
Section 1.18: Holdover by Lessee	7
Section 1.19: Notices	8
Section 1.20: Place for Payment of Rent	8
Section 1.21: Waiver of Breach	9
Section 1.22: Time of Essence	9
II. OPTION TO PURCHASE UNDER CONTRACT OF SALE	
Section 2.01: Grant of Option	9
Section 2.02: Option Period	12
Section 2.03: Consideration	12
Section 2.04: Application of Consideration to Purchase Price	12
Section 2.05: Retention of Consideration	13
Section 2.06: Automatic Termination	13
Section 2.07: Escrow Expenses	13
Section 2.08: Notices	13
Section 2.09: Entire Agreement	14
Section 2.10: Attorney's Fees	14
Section 2.11: Binding Effect	15
Section 2.12: Due on Sale Clause	15
SIGNATURES AND ACKNOWLEDGMENTS	16 and 17

PREAMBLE

FRANK L. LYTTLE and SHARON K. LYTTLE, husband and wife, herein called "Lessor" and Optionor", leases and grants an option to purchase to SAMUEL B. WORLEY and JOAN D. WORLEY, husband and wife, herein called "Lessee" and Optionee", that real property, herein called the "demised premises", known as number 206 Chimney Rock Road, in the County of Douglas, State of Nevada, (Lot 3 of Lakewood Knolls Subdivision in Douglas County) on the following terms and conditions:

I. LEASE AGREEMENT

Section 1.01: Term of Lease. The term of this lease shall commence upon the completion of the purchase of the below-described option and shall end at 12:01 A.M. on the first day of October, 1981.

Section 1.02: Rent. Lessee agrees to pay to Lessor as rent for the demised premises the sum of ONE THOUSAND FOUR HUNDRED TWENTY-FIVE DOLLARS (\$1,425.00) per month on the first day of each month during the term of this lease. The first

page one

payment hereunder shall be due on the first day of the lease period and shall be prorated according to the number of days remaining in that first month. Rent shall be made payable to and delivered to Douglas County Title Co., Inc., Box 1400, Zephyr Cove, Nevada, 89448.

Section 1.03: Utility Charges. Lessee shall pay promptly all charges for all utilities including but not limited to, cable television, water, electricity, natural gas, garbage and telephone service to the demised premises during the term of this lease.

Section 1.04: Taxes. Lessor shall pay all real property taxes and assessments on the demised premises during the term of this lease before they become delinquent.

Section 1.05: Mortgage Payments. Lessor shall make, in a timely fashion during the term of this lease, all payments due under that promissory note and deed of trust against the demised premises held by First Federal Savings and Loan Association.

Section 1.06: Indemnity Agreement. Lessee agrees to indemnify and hold the Lessor and the property of the Lessor,

page two

including the demised premises, free and harmless from any and all liability for injury to or death of any person, including Lessee, or for damage to property arising from the use and occupancy of the demised premises by Lessee or from the act or omission of any person or persons, in or about the demised premises with the express or implied consent of Lessee.

Section 1.07: Alterations and Improvements. Lessee shall make no alterations to the buildings on the demised premises nor construct any buildings or other improvements on the demised premises without first having obtained the written consent of Lessor which consent shall not be unreasonably withheld.

Section 1.08: Destruction of Premises. Should any buildings or improvements on the demised premises be damaged or destroyed by fire, the elements, acts of God, or other causes not the fault of Lessee or any person in or about the demised premises with the express or implied consent of Lessee, they shall be repaired or replaced by Lessor at his own cost and expense and the rent payable by Lessee pursuant to this lease shall be abated to the extent such damage or destruction renders the demised premises uninhabitable by Lessee.

page three

55039

LIBER 481 PAGE 262

Section 1.09: Condition of Premises. Lessee stipulates that he has examined the demised premises as well as all buildings and improvements located on the demised premises and they are all, at the date of this lease, in good order, repair and a safe and clean condition.

Section 1.10: Maintenance of Premises. Lessor, at its own expense, will maintain and keep the premises, fixtures and all equipment in good repair and clean condition.

Section 1.11: Improvements to the Demised Premises. All alterations, changes and improvements built, constructed, or placed on the demised premises by Lessee, other than trade fixtures or movable personal property, shall, unless otherwise provided by written agreement between Lessor and Lessee, be the property of Lessor and remain on the demised premises at the expiration or sooner termination of this lease. Nothing contained in this paragraph, however, shall authorize Lessee to make or place any such alterations, changes or improvements on the demised premises without having first obtained the written consent of Lessor.

page four

55039

LIBER 481 PAGE 263

Section 1.12: Assignment and Subletting. Lessee shall not assign this lease or sublet the demised premises or any interest therein without the written consent of Lessor first had and obtained. A consent by Lessor to one assignment or subletting shall not be deemed to be a consent to any subsequent assignment or subletting. An assignment or subletting without the written consent of Lessor, or an assignment or subletting by operation of law, shall be void and shall, at the option of the Lessor, terminate this lease. Lessor's consent will not unreasonably be withheld. However, the Option to Purchase may not be assigned.

Section 1.13: Default by Lessee. Should Lessee be in default for a period of more than thirty (30) days in the payment of any rent payable under this lease or in the performance of any other provision of this lease, Lessor may terminate this lease and regain possession of the demised premises in the manner provided by the laws of unlawful detainer of the State of Nevada in effect at the date of such default.

page five

55039

LIBER 481 PAGE 264

Section 1.14: Lessor's Election to Continue During Breach. At Lessor's option, if Lessee has breached this lease and abandoned the property, the lease continues in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all his rights and remedies under this lease, including the right to recover the rent as it becomes due.

Section 1.15: Subordination of Lease. This lease and Lessee's leasehold interest under this lease are and shall be subject, subordinate, and inferior to any lien or encumbrances now in place on demised premises by Lessor.

Section 1.16: Entry by Lessor. Lessor shall have the right to enter the demised premises only in the following cases:

(a) In case of emergency.

(b) To make necessary or agreed repairs, decorations, alterations, or improvements, supply necessary or agreed services, or exhibit the demised premises to prospective or actual workmen or contractors.

(c) After Lessee has abandoned or surrendered the demised premises.

(d) Pursuant to Court order.

Section 1.17: Manner of Entry by Lessor. Lessor shall not abuse the right to enter the demised premises given Lessor by Section 1.16 of this lease nor use such right to harass Lessee. Lessor shall at all times give Lessee reasonable notice, normally 24-hour notice, of Lessor's intent to enter the demised premises and enter the demised premises during normal business hours. This paragraph shall not apply to entries on the demised premises by Lessor in case of an emergency, after Lessee has abandoned or surrendered the demised premises, or in cases where it is impracticable to comply with the requirements of this paragraph; provided, however, that entry by Lessor on the demised premises may not, except in cases of emergency or after Lessee has abandoned or surrendered the demised premises, be made during other than normal business hours unless Lessee consents at the time of entry.

Section 1.18: Holdover by Lessee. Should Lessee remain in possession of the demised premises with the consent of Lessor after the natural expiration of this lease, a new tenancy from month-to-month shall be created between Lessor and Lessee which shall be subject to all the terms and conditions of this lease but shall be terminable by thirty (30) days' written notice

page seven

served by either Lessee or Lessor on the other party to this lease in the manner prescribed by the laws of the State of Nevada.

Section 1.19: Notices. Any and all notices or other communication required or permitted by this lease to be served on or given to either party to this lease, Lessee or Lessor, by the other party to this lease shall be in writing and shall, except as otherwise required by law or this lease, be deemed duly served and given when personally delivered to any of the parties, Lessee or Lessor, to whom it is directed, or in lieu of such personal service when deposited in the United States mail, first-class postage prepaid, addressed to Lessee at Post Office Box 7733, South Lake Tahoe, California, 95731, or to Lessor at 3396 Bernice Court, Carson City, Nevada, 89701. Either party, Lessee or Lessor, may change his address for the purpose of this paragraph by giving written notice of such change to the other party in the manner provided for in this section.

Section 1.20: Place for Payment of Rent. Until changed by written notice served on Lessee by Lessor, all rent

page eight

55039

payable under this lease shall be paid to Douglas County Title Co., Inc., Box 1400, Zephyr Cove, Nevada 89448, I. C. No. 5036.

Section 1.21: Waiver of Breach. The waiver by Lessor of any breach of any provision of this lease shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or a different provision of this lease.

Section 1.22: Time of Essence. Time is expressly declared to be of the essence of this lease.

II. OPTION TO PURCHASE UNDER CONTRACT OF SALE

Section 2.01: Grant of Option. Optionor hereby grants to Optionee the exclusive right to purchase the above-described property under the following terms and conditions:

(a) Purchase Price: The above right to purchase shall be at the price of Two Hundred Seven Thousand, Five Hundred Dollars (\$207,500.00).

(b) Terms of Payment: Said purchase price shall be paid in the following manner:

(1) Optionee shall make a cash down payment of

page nine

Thirty Thousand Dollars (\$30,000.00), including the Fifteen Thousand Dollars (\$15,000.00) paid for this option;

(2) the balance of the purchase price shall be paid without interest, under a contract of sale on the following terms and conditions:

(i) Optionee shall make monthly payments of One Thousand Three Hundred Fifty Nine Dollars and Sixty Cents (\$1,359.60) until the contract of sale becomes an outright sale under subsection (3) below. Should any such payment become thirty (30) days past due, the entire balance of principal shall immediately become due and payable;

(ii) Optionor shall retain title to said property during the contract of sale;

(iii) Optionee shall be entitled to possession of said property during the contract of sale;

(iv) Optionee shall pay all real property taxes and assessments during the contract of sale. Such taxes and assessments shall be prorated to the close of escrow on the contract of sale;

(v) Optionee shall obtain and keep in effect a policy of homeowner's insurance on the property during the contract of sale; and

(vi) during the term of the contract of sale,

page ten

Optionor shall make all payments on the existing first promissory note and deed of trust in favor of First Federal Savings and Loan.

(3) Should this option be exercised, on or before July 1, 1982, the above contract of sale shall be converted to an outright sale of said property on the following terms and conditions:

(i) Optionee shall make a balloon payment of Fifteen Thousand Dollars (\$15,000.00) toward the principal balance owed to Optionor. If Optionee fails to deposit this \$15,000.00 on or before July 1, 1982, then Optionee shall forfeit all rights under its then existing Contract of Sale and a quit-claim deed shall be delivered to Optionor;

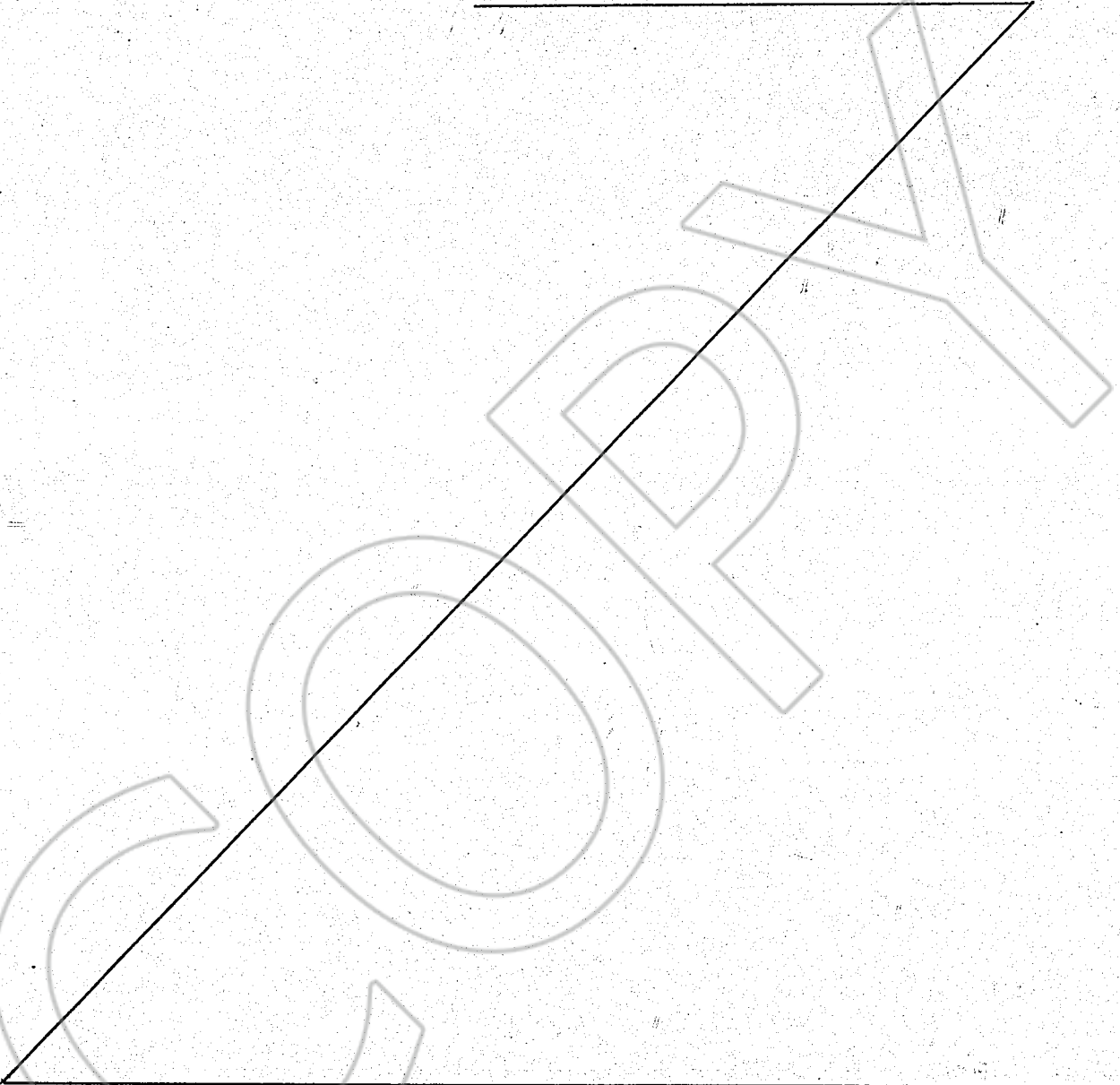
(ii) Optionee shall assume the then remaining balance of principal on the first promissory note and deed of trust in favor of First Federal Savings and Loan, or obtain another first loan, ~~in an amount equivalent to the then existing balance of the first deed of trust.~~ *See g.o.w. J.K.J.*

(iii) Optionee shall execute in favor of Optionor a second promissory note and deed of trust for the ~~balance of the purchase price (approximately~~ *See g.o.w. J.K.J.* \$48,500.00). Said note shall bear interest at the rate of eleven and one-half percent (11 1/2%) per annum with annual interest only or more payments to be made. The entire balance of principal and accrued

page eleven

55039

interest, if any, shall all be due and payable three years following the close of escrow for the contract of sale set forth in subsection (2) above.



page eleven (a)

(iv) Optionor shall cause title to said property to vest in Optionee upon the close of escrow for this conversion to an outright sale.

Section 2.02: Option Period. This option shall commence upon the execution of this agreement and shall continue until 12:01 A.M. on the first day of October, 1981. In order to exercise this option, Optionee must have deposited in escrow all funds and documents necessary to allow escrow to close prior to the expiration of this option. The expiration date of this option may only be extended with the written agreement of Optionor and Optionee.

Section 2.03: Consideration. This option is granted in consideration of Optionee's payment to Optionor of the sum of Fifteen Thousand Dollars (\$15,000.00).

Section 2.04: Application of Consideration to Purchase Price. If this option or any extension thereof is exercised in accordance with its terms, then the consideration paid Optionor by Optionee shall apply to the purchase price, as specified in subsection 2.01 (a) (1) above.

page twelve

Section 2.05: Retention of Consideration. In the event this option or any extension thereof is not exercised, all sums paid and services rendered to Optionors by Optionees shall be retained by Optionors in consideration of the granting of this option.

Section 2.06: Automatic Termination. If Optionee fails to exercise this option in accordance with its terms and within the option period or any extension thereof, then this option and the rights of Optionee shall automatically and immediately terminate without notice. Thereafter, Optionee shall properly execute, acknowledge, and deliver to Optionors within ten (10) days of request therefor, a quitclaim deed to Optionor.

Section 2.07: Escrow Expenses. All expenses of escrow, including title insurance and attorney fees, incurred in connection with this agreement shall be paid one-half by Optionee and one-half by Optionor.

Section 2.08: Notices. Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by either party to the other may be effected by personal delivery in

page thirteen

||
writing or by registered or certified mail, postage prepaid,
return receipt requested, and shall be deemed communicated as of
mailing. Mailed notices shall be addressed as set forth in
section 1.19 above, but each party may change his address by
written notice in accordance with this paragraph.

Section 2.09: Entire Agreement. This instrument contains
the entire agreement between the parties relating to the lease
and option herein granted. Any oral representations or modifi-
cations concerning this instrument shall be of no force and
effect excepting a subsequent modification in writing, signed by
the party to be charged.

Section 2.10: Attorney's Fees. In the event of any
controversy, claim, or dispute between the parties hereto, arising
out of or relating to this agreement or the breach thereof,
the prevailing party shall be entitled, in addition to such other
relief as may be granted, to a reasonable sum as and for
attorney's fees in such litigation which shall be determined
by the Court in such litigation or in a separate action brought
for that purpose.

||
page fourteen

Section 2.11: Binding Effect. This agreement shall bind and inure to the benefit of the respective heirs, personal representatives, successors and assigns of the parties hereto, except as hereinabove expressly provided.

Section 2.12: Due on Sale Clause. Optionor and Optionee understand that the first deed of trust in favor of First Federal Savings & Loan Association may contain an acceleration or due on sale clause, and that the purchase of subject property is made with full knowledge of this fact. Optionor and Optionee understand that the lender could accelerate the existing obligation and declare the principal balance due and payable in full, or require Optionor to assume the existing obligation, and, in connection therewith, Optionor may be required to agree to a modification of the terms of said existing obligation, which could require an increase in the interest rate and/or a loan assumption fee. In the event that any of the aforementioned matters occur, Optionor shall have the duty to cure the default of the existing obligation or to defend against such alleged default and to hold Optionee herein harmless therefrom. It is also understood that a prepayment penalty may exist for any prepayment on said existing obligation, either voluntary or involuntary, and Optionor shall pay any such prepayment penalty.

page fifteen

ADDENDUM TO
LEASE AGREEMENT WITH
OPTION TO PURCHASE UNDER CONTRACT OF SALE

THIS ADDENDUM added to that Lease With Option to Purchase Under Contract of Sale dated the 2nd day of April, 1981, by and between FRANK L. LYTTLE and SHARON K. LYTTLE, Lessor and Optionor, and SAMUEL B. WORLEY and JOAN D. WORLEY, Lessee and Optionee.

1. Section 2.06 is hereby deleted and the following Section is added:

"Section 2.06: Automatic Termination. If Optionee fails to exercise this option in accordance with its terms and within the option period or any extension thereof, then this option and the rights of Optionee shall automatically and immediately terminate without notice. Optionee has executed a Quitclaim Deed in favor of Optionor and delivered the same to Douglas County Title Co., Inc., and hereby instructs Douglas County Title Co., Inc., to record such Quitclaim Deed upon receipt of written notice given by Optionor that Optionee has failed to exercise this option."

2. A new Section 1.23 is hereby added as follows:

"Section 1.23: Late charges. In the event First Federal Savings and Loan Association assesses a late charge that is caused by the nonpayment of rent by the Lessee, then in such event Lessee shall be responsible for paying such late charge."

