

OPTION AGREEMENT

1 This Option Agreement should only be used in conjunction with OREF C-501 – Commercial Real Estate Sale Agreement. Buyer and Seller should
2 seek legal advice regarding this Option Agreement, and should review OREF C-543 – Advisory Regarding Lease Option before signing this Option
3 Agreement. This Option Agreement can be used with or without a lease or rental agreement.

4 This Option Agreement ("Option Agreement") is entered into on (*insert date*) _____, by and between
5 _____ ("Seller"), who is granting the option rights described below, and
6 _____ ("Buyer"), who is acquiring those option rights.

7 **1. GRANT OF OPTION:** Subject to the terms and conditions in this Option Agreement, Seller hereby grants to Buyer the option ("Option") to purchase
8 the following property: (*insert address or legal description*) _____
9 _____ (the "Property").

10 **2. OPTION DEADLINE:** Unless exercised in accordance with the terms of this Option Agreement, the Option will fully and completely expire at (*select*
11 *one*) 5:00 p.m. on (*insert date*) _____ or (*insert date*) _____ (the "Option Deadline"). Time is
12 expressly declared to be of the essence as to all obligations or performance deadlines required or permitted in this Option Agreement.

13 **3. CONSIDERATION FOR OPTION:** Seller acknowledges receipt of an immediately payable check in the sum of \$ _____ (the "Option
14 Payment") as consideration for the Option. Because Oregon law requires the consideration for an option to be paid separately from any other payment,
15 the Option Payment will be drawn or made payable to Seller and, upon signing of this Option Agreement by Buyer and Seller and Delivery of the
16 Option Payment to Seller, will be deemed fully earned by and belong exclusively to the Seller, regardless of whether or not the Option is exercised.
17 The Option Payment will not be deemed to be "trust funds" as defined in Oregon law or regulations, and, accordingly, the Option Payment will be
18 paid to Seller, not deposited in a client trust account or escrow depository. If Buyer exercises the Option in accordance with the Sale Agreement
19 (defined below), the Option Payment (*select one*) will will not ("will not," if no selection is made) be applied to the Purchase Price at Closing.
20 The Option Payment will not be designated, used, or applied as a refundable or nonrefundable earnest money deposit.

21 **4. LEASE:** A rental or lease agreement between Buyer and Seller for the Property ("Lease"): (*select one*)

22 (a) has been filled out, signed by the Parties, is attached as Exhibit B to, and is made a part of, this Option Agreement;

23 (b) is not attached to this Option Agreement. If a Lease will be attached later, the Parties are encouraged to use a form of agreement
24 currently used for similar properties in their local area. If Buyer wants to lease the Property from Seller, but no agreement can be reached
25 regarding the form of the Lease by (*insert date*) _____ (thirty [30] days from the date this Option Agreement is Signed
26 and Delivered, if not filled in), this Option Agreement will be null and void, any consideration paid for it by Buyer will be promptly refunded, and
27 this entire transaction will be terminated, excepting only those provisions, such as Section 15 (Dispute Resolution), which by their terms are
28 intended to survive termination; or

29 (c) will not be part of this Option Agreement. If this box is selected, this Option Agreement is only a purchase option, not a lease option.

30 If (i) the Parties enter a Lease, and (ii) Buyer is not in default under the Lease upon both the exercise of the Option and Closing of the purchase of
31 the Property in accordance with Sections 5 (Exercise of Option) and 6 (Purchase Price, Terms, and Closing), then the Purchase Price will be reduced
32 by _____ % (zero [0] if not filled in) of the monthly rent paid on time during the term of this Option Agreement.

33 **5. EXERCISE OF OPTION:** So long as Buyer is not then in default under the Lease (if any) or this Option Agreement, Buyer may exercise the Option
34 once before the Option Deadline, by Notice to Seller, simultaneously sent by certified mail, return receipt requested and regular first class mail, both
35 addressed to Seller at: (*insert address*) _____
36 _____,

37 or by manual delivery to Seller. Delivery will be deemed to have occurred as of the date of postmark of the earliest letter (if mailings are not
38 simultaneously sent) or the date of manual Delivery to Seller, whichever first occurs. For informational purposes only, Buyer will simultaneously
39 provide a copy of the written notice to Buyer's Agent's Firm, if any. If a Lease is part of this Option Agreement, unless and until the Option is exercised
40 in accordance with this Option Agreement, Buyer's rights to the Property will be limited to those arising under ORS Chapter 90 – the Oregon
41 Residential Landlord and Tenant Act ("ORLTA") – and Buyer's and Seller's rights and remedies will be governed only by the ORLTA and ORS 105.105
42 et seq.

Buyer Initials _____ / _____ Date _____

Seller Initials _____ / _____ Date _____

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43 **6. PURCHASE PRICE, TERMS, AND CLOSING:** The Parties have entered into a purchase and sale agreement dated *(insert date)*
44 _____ (the "Sale Agreement"), which is attached as Exhibit A to this Option Agreement. If the Option is exercised, the
45 Purchase Price and terms of the sale of the Property will be those in the Sale Agreement; however, to the extent they are inconsistent with the terms
46 of this Option Agreement, the terms of this Option Agreement will apply. The Closing of the transaction will be no sooner than _____ Days (twenty [20]
47 if not filled in) nor later than _____ Days (forty-five [45] if not filled in) after the date of Buyer's Notice of exercise of the Option. The Option Payment
48 will not be applied to the Purchase Price of the Property or be applied as earnest money in the Sale Agreement.

49 **7. PROPERTY DISCLOSURE/WAIVER OF RIGHT OF REVOCATION:** Seller (*select one*) is is not required to provide a Seller's Property
50 Disclosure Statement ("SPDS") under [ORS 105.462 – 105.490](#). If Seller is required to provide an SPDS, a completed and signed SPDS: (*select one*)

51 (a) is attached to this Option Agreement and Buyer waives the right of revocation under [ORS 105.475](#);

52 (b) will be provided to Buyer within _____ Days (seven [7] if not filled in) of the date Buyer and Seller sign and Deliver this Option Agreement;
53 or

54 (c) will be provided to Buyer promptly upon Buyer's notice of exercise of the Option pursuant to Section 5 (Exercise of Option), and Buyer's
55 right of revocation under [ORS 105.475](#) may be exercised within five (5) Business Days after Seller's Delivery of the SPDS. However, Buyer's
56 exercise of that right of revocation will not entitle Buyer to any refund of the Option Payment or rents paid pursuant to a Lease. List any
57 exceptions to the previous sentence: (*describe*) _____
58 _____

59 **8. FAILURE TO EXERCISE OPTION:** If Buyer fails for any reason, other than Seller's default under this Option Agreement, to properly exercise the
60 Option before the Option Deadline, the Option Payment will be retained by Seller, and Buyer will have no further rights under the Option Agreement
61 or Sale Agreement. If the Option is properly exercised before the Option Deadline, but the sale fails to close, Buyer's and Seller's rights to any
62 Deposits will be determined by the terms of the Sale Agreement; however, in no event will the Option Payment be refunded to Buyer. If Buyer and
63 Seller have entered into a Lease, and Buyer fails to timely exercise the Option, or fails to close as described in the Sale Agreement, or is in breach
64 of the Sale Agreement, then the Lease: (*select one*)

65 (a) will continue for the balance of the Lease term;

66 (b) will be deemed automatically terminated with no further written notice from either Party, effective as of the _____ Day (tenth [10th]
67 if not filled in) following failure to timely exercise the Option or close in accordance with the Sale Agreement; or

68 (c) other (*describe*) _____

69 **9. BREACH OF LEASE:** Buyer and Seller have entered into a Lease and, before the Option Deadline, Buyer is in default under the Lease or abandons
70 the Property, or a judgment of eviction is entered against Buyer, this Option Agreement and the Sale Agreement will automatically terminate with no
71 further action of Seller. A "default under the Lease" will be defined to mean any matter for which Seller would have the right to institute eviction
72 proceedings against Buyer under the ORLTA, and [ORS 105.105 et seq](#) (Oregon's eviction laws). In that case, the Option Payment will be retained by
73 Seller, and this Option Agreement and the Sale Agreement will be of no further binding effect, except that: (a) provision intended to survive termination
74 and indemnities will survive; and (b) Buyer's and Seller's rights to any earnest money deposit will be determined by the terms of the Sale Agreement.

75 **10. RISK OF LOAN DEFAULT:** If there are one or more mortgage loans encumbering the Property, Buyer and Seller acknowledge: (a) the loan
76 documents may contain prohibitions against selling, leasing, or granting an option to purchase the Property without the lender(s)' consent; and (b) as
77 a result of this transaction, the lender(s) could require immediate and full payment of the loan(s) and exercise other default remedies such as
78 foreclosure. Upon any declaration of default by a lender of a mortgage loan encumbering the Property: (*select one*)

79 (a) Buyer will have the right to exercise the Option within thirty (30) Days;

80 (b) Seller will refinance or pay off all mortgage liens and take such other steps reasonably necessary to cure the default, during which time
81 the Lease (if any), Sale Agreement, and Option Agreement will remain in full force and effect; or

82 (c) other (*describe*) _____

83 Buyer and Seller acknowledge they have been advised by their Agents to secure legal advice before entering into the Lease, Sale Agreement, and/or
84 Option Agreement, and they have not been provided any legal advice by the Agents, whom they acknowledge are not experts in the law.

Buyer Initials _____ / _____ Date _____

Seller Initials _____ / _____ Date _____

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- 85 **11. SELLER'S REPRESENTATIONS, WARRANTIES, AND COVENANTS:** Seller represents, warrants, and covenants to Buyer that:
- 86 (a) Seller has marketable title to the Property, subject only to the easements, liens, deed restrictions, and other encumbrances currently of
87 record (the "Encumbrances");
- 88 (b) all of the Encumbrances are current and free from default;
- 89 (c) Seller has not received any notices from the holders of any of the Encumbrances they are or will be in default;
- 90 (d) before execution of this Option Agreement, Seller (*select one*) has has not ordered a current ownership and encumbrance report
91 (or its equivalent) for the Property indicating to Buyer the status of title to the Property, which will be paid for by (*select one*) Buyer
92 Seller; and
- 93 (e) Seller will not voluntarily encumber the title to the Property before termination of this Option Agreement or the Option Deadline (defined
94 below) whichever first occurs, without first securing the written consent of Buyer. The preceding sentence does not prohibit the lien of property
95 taxes that Seller will pay when due up to the date of Closing, if applicable, nor does it prohibit any encumbrances not unreasonably interfering
96 with Seller's ability to convey marketable title to Buyer in accordance with the Sale Agreement.
- 97 **12. UNDERLYING ENCUMBRANCES:** Buyer should verify the condition of title to the Property before entering into this Option Agreement. If
98 mortgages, trust deeds, assessments or other liens or charges ("Financial Encumbrances") are recorded against the Property, Seller will provide
99 Buyer with:
- 100 (a) the current monthly installments of principal, interest, taxes, and insurance, regardless of whether they are paid directly or to the lender;
- 101 (b) proof of insurance on all structures, together with the amount of the premiums; and
- 102 (c) a copy of any promissory notes secured by liens against the Property.
- 103 **12.1. Payment of Encumbrances.** Seller will timely pay all sums due under Financial Encumbrances and will, if requested by Buyer, provide
104 Buyer with evidence of payment of those sums within thirty (30) Days of payment.
- 105 **12.2. Payoff of Encumbrances.** If the Option is exercised, Seller will, at Seller's sole cost and expense, remove the following Financial
106 Encumbrances from title before Closing: (*select one*)
- 107 (a) all Financial Encumbrances attached to the Property; or
- 108 (b) only Financial Encumbrances that attach to the Property after the date this Option Agreement has been Signed and Delivered.
- 109 **12.3. Notices of Defaults.** Seller will promptly inform Buyer of any notices of default received from the holders or servicers of any Financial
110 Encumbrances ("Default Notice"). If Seller receives a Default Notice due to Seller's failure to make any payments (except for an acceleration of
111 the entire indebtedness because of this transaction), Buyer may terminate this Option Agreement and receive a prompt refund of the entire Option
112 Payment, together with interest at the rate of nine percent (9.00%) per annum. However, receipt of such refund will not limit or prevent Buyer from
113 pursuing any other legal remedies against Seller, including, but not limited to, specific performance of the Sale Agreement. Seller will have the right
114 to cure any default within ten (10) Days of receipt of a Default Notice, or within the time described in the Default Notice, whichever ends first, and
115 avoid Buyer's right to terminate under this section.
- 116 **13. NO TRANSFER:** Buyer will not, without Seller's express written consent, sublease, assign, transfer or convey any right, title, or interest in this
117 Option Agreement, the Sale Agreement, the Lease, or the Property itself, to any third party before Closing. Any unauthorized transfer by Buyer will
118 be void and of no effect, and this Option Agreement will be deemed to be automatically null and void, in which case, Seller will retain the Option
119 Money, and the Sale Agreement will be of no further effect, except that (a) provision intended to survive termination and indemnities will survive; and
120 (b) Buyer's and Seller's rights to any earnest money deposit will be determined by the terms of the Sale Agreement.
- 121 **14. RECORDING OF MEMORANDUM:** Before selecting one of the following boxes, Buyer and Seller should consult with legal counsel, as there
122 may be significant legal consequences to either or both Parties arising from recording – or failing to record – a memorandum of the Option.
- 123 Will a memorandum of the Option (a "Memorandum") be recorded in the county records where the Property is located? (*select one*) Yes No
124 If "Yes," the recording charge will be paid by Buyer.

Buyer Initials _____ / _____ Date _____

Seller Initials _____ / _____ Date _____

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125 If a Memorandum will be recorded, it should be recorded promptly after this Option Agreement is Signed and Delivered. OREF C-542A – Memorandum
126 of Option Agreement is available for this purpose. If, for any reason, Buyer does not exercise the Option, Buyer will execute all documents required
127 by any title company, to remove the recorded Memorandum from title.

128 **15. DISPUTE RESOLUTION:** The dispute resolution provisions in the Sale Agreement will apply to any dispute arising directly or indirectly out of this
129 Option Agreement. However, if Buyer is in default under a Lease, Seller may initiate court action for eviction under ORS 105.105 et seq. Any dispute
130 regarding Buyer's right of possession under the Lease will be heard and decided exclusively in eviction court, and any rights relating to ownership of
131 the Property will be heard and decided in accordance with the dispute resolution provisions in the Sale Agreement. This section will survive termination
132 of this Option Agreement.

133 **16. AMENDMENT:** This Option Agreement may not be modified or amended except by written agreement, signed by Buyer and Seller.

134 **17. ADDITIONAL PROVISIONS:** *(describe)* _____
135 _____
136 _____
137 _____

138 Buyer _____ Print _____ Date _____ a.m. p.m. ←

139 Buyer _____ Print _____ Date _____ a.m. p.m. ←

140 Seller _____ Print _____ Date _____ a.m. p.m. ←

141 Seller _____ Print _____ Date _____ a.m. p.m. ←

142 Buyer's Agent(s) _____ Seller's Agent(s) _____

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