

LEASE AGREEMENT WITH OPTION TO PURCHASE

The undersigned Adam D. and Desiree M. Peppler (“Resident”) agrees this 24th day of June, 2009 to rent from Hazel Court LLC (“Landlord”) the premises legally described as 1316 Hazel Court, Loveland, CO 80537 (hereafter called “Premises”) and to abide by the other obligations set forth herein (the “Lease”).

1. TERM. The Premises are leased to Resident commencing on the 1st day of July 2009, at 8:00 a.m., and terminating on the 30th day of June, 2011 at 12:00 midnight (referred to hereafter as the “Initial Term”). After the Initial Term expires, this Lease and all provisions herein shall continue from month-to-month until terminated as provided in paragraph 17 below, or as otherwise provided by law. The Initial Term together with any month-to-month extensions shall be referred to as the “Term” of the Lease. If the Premises are not available for occupancy when the Initial Term begins, Resident shall be entitled to an abatement of rent until possession is delivered, such abatement to be Resident’s sole remedy for Landlord’s failure to deliver possession on time.

2. RENT.

(a) Rent for Term of Lease. The rent for the Premises for the Initial Term of this Lease is \$ 37,200.00, payable in 24 monthly installments of \$ 1,550.00 on the first day of each month throughout the Initial Term of this Lease, beginning the first day of July 2009. Rent shall continue to accrue at the rate of \$1,550.00 per month for any month-to-month tenancy subsequent to the expiration of the Initial Term of this Lease; provided, however, that the rent may be adjusted as provided in Paragraph 2(b).

(b) Rent Adjustment. Landlord may increase or decrease the monthly rental for future months by giving Resident at least 30 days prior written notice of such rent adjustment. Rent increase is due to taxes or insurance increases based upon the new tax or insurance bill. Resident’s continued occupancy of the Premises past the effective date set forth in the notice of such increase or decrease shall constitute acceptance by the Resident of the rent adjustment. All other provisions of this Agreement shall remain in full force and effect.

(c) Place of Payment. Rent and all other amounts due under this Lease shall be paid to Hazel Court LLC and delivered to P.O. Box 272865, Fort Collins, CO 80527 or at such other place as Landlord may designate in writing. All payments shall be made in the form of a personal check. Tenants shall not make any payment due hereunder in cash. This is for tracking purposes for the final purchase by the Resident. Collector may also inspect improvements during this time.

3. LATE PAYMENTS AND BAD CHECKS.

(a) Late Payments. If any monthly rent payment or other payment owed by Resident to Landlord is not paid when due, Resident shall pay without demand, as additional rent, \$200.00 for each late payment, in addition to the full rent or other payment due.

(b) Bad Checks. If any rent or any other payment due is paid by check and the check is not honored or is returned to Landlord unpaid for any reasons, Resident shall pay \$200.00 as

additional rent, in addition to any late payment fee which may also be owed pursuant to Paragraph 3(a). In addition, Landlord may enforce its rights under Colorado law, including without limitation the right to recover three times the face amount of the returned check plus attorneys' fees and costs, all of which shall be deemed additional rent due under this Lease.

(c) **Application of Payments.** All amounts paid by or collected from Resident pursuant to this Paragraph shall be applied first to the additional rent attributable to late payments, bad checks, or other amounts to which Landlord is entitled, and then to the monthly rent or other payment due which gave rise to the additional rent.

4. NON-REFUNDABLE DEPOSIT. Upon execution of this Lease, Resident shall pay Landlord an upfront non-refundable deposit in the sum of \$ 2500.00. In the event Resident shall not purchase the Premises pursuant to the option in Paragraph 33 hereof, Landlord shall be entitled to retain the entire non-refundable deposit. Security Deposit will be waived in exchange for and as a consideration for labor done by Tenant. Tenant understands and agrees that any and all labor administered by Tenant is for the sole benefit of Tenant.

5. USES AND OCCUPANCY OF PREMISES. The Premises shall be used as a private dwelling and for no other purpose, whether personal or business. Unless listed below or otherwise agreed in writing by Landlord, no persons other than Resident shall occupy the Premises.

6. CONDITION OF PREMISES.

(a) **Upon Commencement of Lease.** Prior to occupancy of the Premises, Landlord may provide to Resident an Inspection Form detailing the contents, condition, and cleanliness of the Premises. Resident shall have the opportunity to inspect the Premises and shall, prior to occupancy, acknowledge acceptance of the Premises AS IS, WHERE IS, and WITH ALL FAULTS subject to any conditions agreed to by Landlord and Resident and noted on the Inspection Form or in any other writing executed by the parties. If for any reason Resident commences occupancy without receipt and/or acknowledgment of the Inspection Form, such occupancy constitutes an acknowledgment by Resident that the Premises are in good repair and in a clean and orderly condition.

(b) **Upon Termination of Tenancy.** Upon the termination of Resident's occupancy of the Premises at any time and for any reason, Resident shall return the Premises to Landlord in the same condition as at the time Resident took possession, as reflected on the Inspection Form, normal wear and tear excepted.

(c) **Uninhabitability.** If, during the Initial Term of this Lease or any month-to-month extension hereof, the Premises shall be destroyed or rendered uninhabitable for any reasons not caused by Resident's fault or neglect, Landlord shall have the option to (i) repair or restore the Premises, in which case Resident's obligation to pay rent shall cease until the Premises are again inhabitable, whereupon Resident's obligation to pay rent shall resume at the same rate as before the interruption; or (ii) elect not to rebuild or repair, in which case this Lease shall become null and void. Landlord shall be under no obligation to rebuild or repair the Premises. If Resident continues to occupy the Premises despite the destruction or uninhabitability of all or any part of the Premises, Resident shall not be entitled to abatement of the rent or any right of setoff due to

the destruction or uninhabitability. Landlord shall not be liable to Resident for the cost of Residents' substitute lodging during any period of uninhabitability of Premises.

(d) Property Improvements. Resident is required to improve the property as a condition of this Lease and of the purchase option outlined in Paragraph 33 of this Lease. Any and all improvements must be submitted in writing for approval. Resident will allow Landlord or their agent access to the home during improvements, so they may approve them. Resident is required to obtain all necessary permits required by law before commencing improvements. Resident further warrants that Resident will be accountable for any mishaps and/or accidents resulting from such work, and will indemnify and hold the Landlord and Landlord's agents free from claims of any other person or entity. If such work is unacceptable or not according to code, the Resident shall cease new work until previous work is brought up to code or quality. Upon the termination of Resident's occupancy of the Premises at any time and for any reason, Resident shall return the Premises to Landlord in the same condition as at the time Resident took possession, as reflected on the Inspection Form, normal wear and tear excepted. All improvements will remain and are not to be removed. No compensation shall be due to Resident from Landlord for any such improvements made by Resident. Resident accepts that any improvements done to the Premises by the Resident would be for the benefit of the Resident only and in no way would Resident have any right to any of the improvements or their benefit to Landlord if Resident does not fulfill their obligation to complete purchase option as outlined in Paragraph 33 of this lease.

7. MAINTENANCE OF PREMISES.

(a) By Resident. During the Term, Resident shall maintain the Premises in clean, orderly, and sanitary condition. Resident shall be responsible for repairs to the Premises. Resident shall be responsible for maintaining the landscaping (watering and mowing the grass, raking leaves, aerating, removing weeds, sprinkler system blowout, fertilizing, etc.) and all snow removal.

Resident shall not litter, soil, or damage any area of the Premises. Resident shall be liable for the cost of any cleaning or repairs necessitated by Resident's violation of this provision.

(b) By Landlord. During the Term, repairs not completed by Resident during their term due to Resident's fault or neglect shall be charged to the Resident. Resident shall give Landlord prompt written notice of the need for any repairs to the Premises regardless of cause.

8. LANDLORD'S ACCESS TO PREMISES. Resident shall permit Landlord to have access to the Premises at all reasonable times for purposes of inspection, to ascertain compliance with the provisions of this Lease, or to make necessary repairs or improvements, and in the event Resident shall fail to exercise its option to purchase the Premises pursuant to Paragraph 33 hereof, to show the Premises to prospective purchasers, tenants, mortgagees, or any other person having a legitimate interest in the Premises. When practicable, Landlord shall give Resident reasonable advance notice of Landlord's intention to enter the Premises; provided, however, that where Landlord has reasonable grounds for believing that an emergency exists or that the Premises have been abandoned, Landlord may enter the Premises, by force or otherwise, without notice or liability to Resident.

9. RULES AND REGULATIONS. Landlord may establish rules and regulations governing Resident's conduct and use of the Premises. Landlord shall endeavor to provide Resident with a copy of any rules and regulations in effect at the time of the commencement of this Lease, and with copies of any additions or amendments thereto. Resident shall be responsible for being familiar with and complying with all current rules and regulations. Resident acknowledges that such rules and regulations are and shall become additional provisions and covenants of this Lease as if the same had been specifically recited herein, and the breach thereof shall be deemed a breach of this Lease. Rules and regulations may be established, amended, or withdrawn, as Landlord in its sole discretion deems necessary and/or appropriate for the convenient and peaceful use and enjoyment of the Premises, and the protection of the condition of the Premises.

10. APPROPRIATE CONDUCT. Resident acknowledges that it is necessary for each resident to conduct himself in a manner conducive to the peaceful enjoyment of the Premises. Resident therefore agrees (a) to refrain from any behavior which is loud, obstructive, rude, offensive, boisterous, or disorderly; (b) to refrain from destroying, damaging, or appropriating any property of whatever nature from the Premises; (c) not to cause or permit any noise, vibration, odors, or other nuisance of any nature about the Premises having a tendency to annoy or disturb persons occupying or using adjacent properties; (d) not to intrude in any way upon the peaceful enjoyment of the neighborhood by other persons; (e) not to conduct any illegal activity of any sort on the Premises; (f) not to smoke cigars, cigarettes or any other smoke-based inhalant inside the Property. Resident shall be liable for any damage or loss caused by Resident's failure to comply with the provisions of this paragraph. Any violation of this paragraph may, in Landlord's sole discretion, be cause for termination of this Lease.

11. UTILITIES. Resident shall pay for all utilities, sewage, electricity, gas and water. Landlord shall not be liable for any failure in the supply of heat, air conditioning, electricity, gas, water, telephone service, or any other utility services.

12. PETS. No pet, animal, or creature of any kind shall be kept, harbored, or maintained in the Premises without written consent of Landlord. **Pets OK**

13. RESIDENT'S LIABILITY FOR COMPLIANCE. Resident shall ensure that all of Resident's family members, visitors, and guests comply with the provisions of this Lease, specifically including without limitation Paragraph 10 hereof, and with Landlord's rules and regulations. Any violation hereof by such persons shall be treated the same as a violation by the Resident. In addition, Resident shall be liable for any damage or loss caused by the failure of Resident's family members, visitors, guests, and employees to comply with the provisions of this Lease or Landlord's rules and regulations.

14. NONLIABILITY OF LANDLORD. Landlord shall not be liable for and Resident shall indemnify Landlord against any damages, injuries or loss to person or property suffered by Resident or Resident's family, guests, employees, or visitors, caused by other residents or persons, or resulting from theft, burglary, assault, vandalism, or other crimes, or from fire, flood, water leaks, mildew, rain, hail, ice, snow, smoke, explosions, interruptions of utilities, or acts of God. All personal property kept on the Premises or in storage areas are kept at the risk of Resident. **LANDLORD STRONGLY RECOMMENDS THAT RESIDENT PURCHASE RENTER'S OR**

OTHER INSURANCE TO PROTECT AGAINST ALL OF THE ABOVE RISKS, EVENTS, DAMAGES, AND LOSSES.

15. ASSIGNMENTS AND SUBLETTING. Resident shall not assign this Lease (including, but not limited to, the purchase option in paragraph 33) nor sublet all or any part of the Premises.

16. CONDEMNATION. If all or part of the Premises are taken by or conveyed to any governmental authority by or in lieu of condemnation or eminent domain proceedings, this Lease shall terminate on the date such authority takes possession of the Premises. The amount paid or awarded for such taking or conveyance, if any, shall be paid to Landlord, and Resident shall have no right or claim to any portion thereof.

17. TERMINATION.

(a) Termination Upon Notice. Resident or Landlord may terminate this Lease at the expiration of the Initial Term set forth in Paragraph 1 above, by giving written notice of such termination to the other party 30 days prior to the expiration of the Initial Term. Failure to give such notice shall cause the Lease to continue from month to month, during which time Resident or Landlord may terminate this Lease by giving written notice to the other party at least 10 days prior to the end of any one-month extension of the Initial Term. No extension of the Initial Term shall extend the option to purchase in paragraph 33.

(b) Termination by Landlord for Cause.

(i) *Default in Payment of Rent.* Landlord may terminate this Lease due to Resident's monetary default by giving Resident three days' notice in writing demanding in the alternative payment of the rent due or possession of the Premises. Resident's failure to comply with the demand shall give Landlord the right to sue for possession of the Premises and monetary damages.

(ii) *Other Defaults by Resident.* Landlord may terminate this Lease and regain possession of the Premises at any time upon written notice to Resident due to Resident's breach of any provision or covenant of this Lease other than for payment of rent. Resident hereby expressly waives the right to any three-day or other advance notice of such termination and any right to cure a default not related to payment or rent. Landlord may terminate this Lease if he learns that any of the information provided by Resident to Landlord on any rental application is false or incomplete.

18. LANDLORD'S REMEDIES UPON DEFAULT. If Resident breaches or defaults on any provision of this Lease, regardless of whether Landlord terminates this Lease pursuant to Paragraph 17, Landlord may recover from Resident all damages it may incur by reason of Resident's breach or default, including without limitation (i) the costs of recovering possession of the Premises, (ii) the full amount of rent and other charges due under this Lease for the remainder of the Initial Term or any extension thereof, (iii) the costs of locating a new resident and preparing the Premises for occupancy by a new resident, (iv) the costs of repairs or damages to the Premises,

and (v) attorneys' fees and expert witness fees. Landlord shall use reasonable efforts to locate a new resident for the Premises, but shall be under no obligation to accept an inappropriate or unacceptable resident, as determined in Landlord's sole discretion, to re-lease the Premises, or to make any alterations to the premises or accommodations to a prospective resident in order to re-lease the Premises. If Landlord is able to rent the Premises for a monthly amount greater than that owed by Resident under this Lease, Resident shall have no right of setoff or claim to any portion of such excess rent. The remedies of Landlord shall be cumulative and no one of them shall be construed as exclusive of the other or any remedy provided by law. The rights and remedies of Landlord provided hereunder shall survive the termination of this Lease.

19. LANDLORD'S DEFAULT. Landlord shall not be in default under any provision of this Lease unless and until Resident shall have provided written notice to Landlord of such alleged default and provided a reasonable time and opportunity, however, in no event less than thirty (30) days to remedy such alleged default. In the event that Landlord shall have failed to remedy any such alleged default within the applicable cure period, Resident's sole and exclusive remedy shall be to terminate this Lease as provided in Paragraph 17(a). In no event shall Resident be entitled to an offset or abatement of the monthly rent or any consequential damages resulting from any alleged default or subsequent termination of this Lease.

20. ABANDONMENT.

(a) Abandonment of Premises by Resident. If Resident abandons the Premises any time prior to proper termination of this Lease by Resident, Resident shall remain liable for the full amount of the rent for the remainder of the Initial Term of the Lease or any extension thereof, and Landlord shall have all the rights and remedies, without limitation as specified herein.

(b) Removal of Persons and Property. At any time after the termination of this Lease for any reason, or upon abandonment of the Premises by Resident, Landlord shall have the right to reenter the Premises and remove all persons and property remaining thereon. Property that remains on the Premises after abandonment of the Premises or termination of this Lease shall be presumed abandoned, and such property may be discarded or disposed of as Landlord sees fit or stored in a public warehouse or elsewhere at Resident's expense, all without additional notice or resort to legal process and without Landlord being deemed guilty of trespass or conversion. Resident hereby waives any claim against Landlord for any damages or loss occasioned thereby. Landlord shall have no obligation to store Resident's property. However, if Landlord elects to do so, Resident shall assume all risks of loss to the property and Landlord shall have no duty to protect or preserve the property.

21. GOVERNMENTAL REGULATIONS. Resident shall comply with all local, state, and federal laws, ordinances, rules, and regulations applicable to the Premises and their use and occupancy.

22. SUBORDINATION OF LEASE. This Lease shall be subordinate to any mortgage, deed of trust, or similar encumbrance that may be or hereafter becomes a lien against the Premises. Resident hereby appoints Landlord his attorney-in-fact to execute any document that may be required by any party as evidence of this subordination.

23. ATTORNEYS' FEES. If Landlord brings suit for recovery of possession of the Premises, to collect any amount due under this Lease, or because of a breach by Resident of any covenant, condition, or provision of this Lease, Resident shall be liable to Landlord for all costs and expenses of such lawsuit, including without limitation, Landlord's attorneys' fees and expert witness fees.

24. WAIVER. Landlord's waiver of any provision of this Lease after a breach thereof shall not be deemed a waiver of any subsequent breach of the same or any other provision hereof. No provision of this Lease shall be deemed waived by Landlord unless such waiver is in writing and signed by Landlord. If Landlord gives three days' demand for payment of rent, Resident shall have the right to reinstate the provisions of this Lease to remain in the Premises upon compliance with the terms of the notice. No other breach of the terms of this Lease or of any other notice shall be deemed waived or cured by Landlord's acceptance of all or any portion of sums due hereunder whether such acceptance is before or after such breach occurred or such other notice was given.

25. NOTICES. Notices to Landlord hereunder shall be personally delivered to Marty Hutcheson, 3938 John F. Kennedy Pkwy, Fort Collins, CO 80525 or P.O. Box 272865, Fort Collins, CO 80527 during normal business hours, or sent by certified mail, return receipt requested. Phone number 970-218-7041. Notices to Resident hereunder shall be delivered to Resident or Resident's family member, guest, employee, or any other person occupying the Premises, by posting the notice on the door to the Premises, or by mailing the notice to Resident's last address on file in Landlord's office by certified mail, return receipt requested.

26. ENTIRE AGREEMENT. The entire agreement between the parties hereto consists of this Lease Agreement, the Inventory Form, if prepared, Landlord's rules and regulations in effect at any time during the Term of this lease, if prepared, and any other written agreements executed herewith or hereafter which specifically reference this Lease by date and Resident's name. The Lease shall not be changed, modified, or discharged in full or in part except by an agreement in writing signed by Landlord and by Resident. There are no oral understandings, terms, or conditions, and neither party has relied on any representations, express or implied, not contained in this Lease Agreement and other documents constituting the parties' entire agreement.

27. NUMBER AND GENDER. When the context in which words are used in this Lease indicates that such is the intent, words in singular number shall include the plural, words in the masculine gender shall include the feminine and neuter genders, and vice versa.

28. JOINT AND SEVERAL LIABILITY. Each resident signing this Lease Agreement shall be jointly and severally liable for the performance of Resident's covenants and obligations hereunder, together with each other person signing this Lease Agreement.

29. PRESERVATION OF PREMISES. Resident shall at all times keep the Premises adequately heated to prevent the freezing or bursting of water pipes especially during the winter months. Upon notification by Landlord, Resident shall turn on and allow each faucet in the Premises (especially those located on or adjacent to outside facing walls) to run and drip in order to avoid the freezing thereof.

30. RELATIONSHIP OF PARTIES. Nothing contained herein shall be deemed or construed to create any relationship other than the relationship of Landlord and Resident.

31. TIME OF THE ESSENCE. Time is of the essence hereof and each party shall perform its obligations and conditions hereunder within the time hereby required.

32. UNENFORCEABILITY. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws during the Term of this Lease, then in that event, the remainder of the Lease shall not be affected thereby and that in lieu of such illegal, invalid or unenforceable provision, another clause or provision shall be added to this Lease as similar in terms to such illegal, invalid or unenforceable clause or provision to make the same legal, valid and enforceable.

33. PURCHASE OPTION. Landlord hereby grants, and Resident hereby accepts, an exclusive option to purchase the Premises, which shall be exercisable by Resident from the date of this Lease through and including June 30, 2011. Resident may exercise the option to purchase the Premises by delivering to Landlord written notice of Resident's intention to purchase the Premises at least ninety (90) days prior to the date upon which Resident desires to purchase and close on the Premises (the "Lessee's Closing"), however, in no event shall (1) such option be exercisable by Resident after June 30, 2011; and (2) the Lessee's closing date be later than June 30, 2011. The purchase price shall be an amount equal to Two Hundred Sixty Nine Thousand Nine Hundred Fifty Dollars and no/100ths---(\$269,950.00). At Lessee's Closing, Landlord shall credit Resident a portion of their rent received in an amount equal to Zero Dollars and no/100ths-----(\$00,000.00) to be applied towards the cash at closing required for the purchase of the Premises. The Premises shall be conveyed to Resident in "AS IS" and "WHERE IS" condition, without representations or warranties of any nature whatsoever, including, without limitation, any representations or warranties regarding compliance with any environmental protection, pollution or land use laws, rules, regulations, orders or requirements. Rent, water, taxes and insurance are to be prorated to the date of transfer, and Resident shall be solely responsible for all typical Buyer costs and expenses associated with the transaction. Should any provision of this purchase option violate any Federal, State or local law or ordinance, such provision shall be amended to comply with such law or ordinance. A Contract to Buy and Sell Real Estate shall be executed between Landlord and Resident at the time Resident notifies Landlord with their intent to exercise the purchase option of this Lease outlining the terms specific to the transaction. In no event shall any portion of rents or deposits received by Landlord be credited or refunded to Resident if Lessee's closing does not occur.

DUE UPON EXECUTION OF THE LEASE: DEPOSIT AND FIRST MONTH'S RENT

LANDLORD
Hazel Court LLC
A Colorado Corporation

RESIDENT

Adam D. Peppler

By: _____

Desiree M. Peppler

