

2. SECURITY FOR DEFERRED PAYMENTS. As security for the payment of the balance of purchase price mentioned in Paragraph 1, the Buyers shall execute a valid purchase money first mortgage dated the date of closing.

3. CONDITION OF LAND: The sale and conveyance of the lands under this option shall be subject to reservations, restrictions, easements and rights of way of record and those apparent upon the land; special assessment for farm use and taxes for the year the option is exercised.

4. USE OF LAND: The Buyers may during the term of this option agreement have the use of the land at no cost to the Buyers; however the Buyers may not commit waste or remove any valuable asset from the land nor in any way alter the land without the express written consent of the Sellers.

5. SURVEY: In the event Buyers do not exercise this option, Sellers may have a survey made of the land described in Paragraph A of Recitals above, by a registered land surveyor, and charge the same to the Buyers. Buyers failure to pay for said survey within 30 days of presentation by Sellers shall constitute a default upon the obligation of the contract for the purchase of the land described in Paragraph A of Recitals above.

6. TERM OF OPTION: This option shall continue in effect until noon on September 15, 1981 and Buyers may exercise the option at any time prior to its expiration; provided however, that this option shall automatically terminate at noon on September 15, 1981, if the Buyers do not, prior to September 15, 1981, pay to Sellers the down payment mentioned in Paragraph 1 above and deliver to Sellers an executed note and mortgage for the balance of the purchase price.

7. CLOSING: The closing of this transaction shall be at Transamerica Title Co. 6th & Main, Klamath Falls, Oregon, and all pro-rates shall be made as of the date the option is exercised according to the prevailing practice in the community.

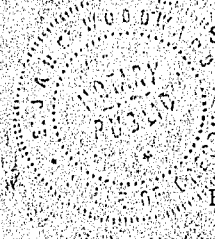
2. OPTION AGREEMENT

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8. NOTICES: Any notice or demand under this option shall be by registered or certified mail.

9. CONSTRUCTION; The construction, interpretation and performance of this contract shall be governed by the laws of the State of Oregon.

IN WITNESS WHEREOF, the parties have executed and delivered this agreement the day and year first above-mentioned.



SELLERS: Donald E. McGhehey
DONALD E. MCGHEHEY

Grace G. McGhehey
GRACE G. MCGHEHEY

BUYERS: A. M. Warmerdam
A. M. WARMERDAM

John Van Ruiten
JOHN VAN RUITEN

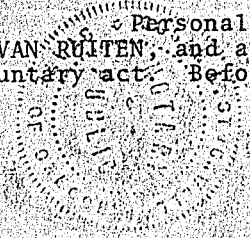
STATE OF OREGON)
County of Wheeler)
Dec)
September 4, 1976.

Personally appeared the above-named DONALD E. MCGHEHEY and GRACE G. MCGHEHEY, husband and wife, and acknowledged the foregoing instrument to be their voluntary act. Before me:

B. Jane Woodward
Notary Public for Oregon
My Commission expires: 1-16-1977

STATE OF Oregon)
County of Klamath) ss.
October
September 28, 1976.

Personally appeared the above-named A. M. WARMERDAM and JOHN VAN RUITEN, and acknowledged the foregoing instrument to be their voluntary act. Before me:



Susan L. Stockwell
Notary Public for Oregon
My Commission expires: 6-13-80

STATE OF OREGON; COUNTY OF KLAMATH; ss.
Filed for record at request of TRANSAMERICA TITLE INS. CO
this 9th day of AUGUST, A. D. 1977 at 2:45 o'clock PM., and
duly recorded in Vol. M77, of DEEDS on Page 14415
FEE \$ 9.00

By Wm D. Milne, County Clerk
Pat McCullough

3. OPTION AGREEMENT