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DEBORAH L. PEYTON, RECORDER/REGISTRA
DELAWARE COUNTY IOWA

Prepared by/Return to: Michael O. McDermott, Shuttleworth & Ingersoll, P.L.C., 115 3rd Street SE, P.O. Box 2107 , Cedar Rapids, IA 52406-2107 (319) 365-9461

PURCHASE OPTION AGREEMENT

THIS PURCHASE OPTION AGREEMENT is entered into this 27th day of December, 2006, by and between DORRANCE B. MCDONALD and EMOGENE A. MCDONALD, husband and wife, residents of Delaware County, Iowa (collectively "Grantors") and THOMAS P. MCDONALD, a married man residing in Delaware County, Iowa ("Grantee"), WITNESSETH:

RECITATIONS

A. Grantors are the owners of and titleholders to two parcels of real estate situated in Delaware County, Iowa, used for farming purposes (hereinafter described and collectively referred to as the "Real Estate"). (Legal on page 2)

B. The Grantee is the son of Grantors and leases and operates the said two parcels of Real Estate owned by Grantors as a part of his farming operation under the terms of a Farm Lease Agreement.

C. Grantors desire that Grantee have the opportunity and right to purchase the Real Estate owned by Grantors upon the death of the survivor of the Grantors in order to enable Grantee to continue the farm operation as the owner of the properties, and Grantee desires to have such opportunity and rights to purchase the properties.

D. The parties have reached agreement upon the terms and conditions under which Grantee shall be extended the option to purchase the Real Estate upon the death of the survivor of the Grantors, and the parties desire to evidence their agreements as to such terms and conditions in this Purchase Option Agreement to be filed of record in Delaware County, Iowa.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the continued intention of Grantee to lease and operate the said Real Estate during the lifetimes of the Grantors and the payments and deliveries to be made by the parties upon the exercise of the option granted hereunder, it is agreed as follows:

1. GRANT OF PURCHASE OPTION RIGHTS. Grantors hereby grant to Grantee the exclusive right and option to purchase from Grantors, their successors and Personal Representatives, the following described parcels of real estate situated in Delaware County, Iowa:

(a) S 1/2 NW 1/4 of Section 12, Township 87 North, Range 6 West of the 5th P.M., Delaware County, Iowa

and

(b) The North Twenty-Four and One-Half (24 1/2) acres of the Southwest Quarter (SW 1/4) of the Southeast Quarter (SE 1/4) of Section Twelve (12), Township Eighty-Seven (87) North, Range Six (6), West of the Fifth P.M., also that parcel described as commencing at the Southeast corner of said Southwest Quarter (SW 1/4) of the Southeast Quarter (SE 1/4), and running thence North Thirty-Two (32) rods, thence West Twenty (20) rods, thence South Thirty-Two (32) rods, thence East Twenty (20) rods to the point of beginning, except the West Three Hundred Four (304) feet of the East Three Hundred Thirty (330) feet of the South One Hundred Fifty-Three (153) feet thereof, Delaware County, Iowa.

(The two above-described parcels are collectively referred to as the "Real Estate".)

2. TERMS AND CONDITIONS OF PURCHASE OPTION. The purchase option rights established and granted to Grantee hereunder shall be exercisable by Grantee upon occurrence or satisfaction of the following conditions, and according to the following terms:

(a) The purchase option of Grantee may be exercised upon the occurrence of the death of the survivor of the Grantors (the "Exercise Event"), provided the Grantee is surviving at the time of occurrence of the Exercise Event, and has continuously leased and operated the Real Estate at all times from the date hereof through the date of the Exercise Event. For purposes of this Agreement, Grantee shall be considered to have "operated" the Real Estate so long as he continues to lease the Real Estate under the terms of a farm lease agreement, whether for cash or on a share basis, and

irrespective of whether Grantee himself performs all farming services on the Real Estate or agrees to the performance of certain or all of such services for him by others on a custom farming basis.

(b) Following the occurrence of the Exercise Event at the time of the death of the survivor of the Grantors, the purchase option rights granted hereunder may be exercised by Grantee delivering written notice of his intention to exercise the said purchase option rights to the Personal Representative of the estate of the survivor of the Grantors and to any other party holding an ownership interest in the Real Estate as successor in interest to either of the Grantors within ninety (90) days following the date of appointment of such Personal Representative.

(c) In the event of the exercise of the purchase option by Grantee, the Purchase Price of the Real Estate shall be the following:

(1) If the Exercise Event occurs anytime on or before December 31, 2011, the total Purchase Price shall be $200,000;

(2) If the Exercise Event occurs anytime during calendar year 2012, the total Purchase Price shall be $180,000;

(3) If the Exercise Event occurs anytime during calendar year 2013, the total Purchase Price shall be $160,000;

(4) If the Exercise Event occurs anytime during calendar year 2014, the total Purchase Price shall be $140,000;

(5) If the Exercise Event occurs anytime during calendar year 2015, the total Purchase Price shall be $120,000;

(6) If the Exercise Event occurs anytime during calendar year 2016, the total Purchase Price shall be $100,000;

(7) If the Exercise Event occurs anytime during calendar year 2017, the total Purchase Price shall be $80,000;

(8) If the Exercise Event occurs anytime during calendar year 2018, the total Purchase Price shall be $60,000;

(9) If the Exercise Event occurs anytime during calendar year 2019, the total Purchase Price shall be $40,000;

(10) If the Exercise Event occurs anytime during calendar year 2020, the total Purchase Price shall be $20,000; or

(11) If the Exercise Event occurs anytime on or after January 1, 2021, the total Purchase Price shall be $1,000.

(d) In the event the Purchase Option is exercised by Grantee, the transaction for purchase and sale of the Real Estate shall be closed and all deliveries required for the closing shall be made by the parties on or about the first day of March immediately following the occurrence of the Exercise Event and the exercise of the purchase option by Grantee. The Purchase Price shall be payable in cash by Grantee at the time of closing the transaction, and the transaction shall be generally conducted in the manner of customary transactions involving the purchase and sale of farm real estate in the State of Iowa.

3. ASSIGNMENT. Neither Grantors nor Grantee may assign the respective rights or obligations of either party hereunder without the prior written consent of the parties to this Purchase Option Agreement.

4. MISCELLANEOUS.

(a) This Purchase Option Agreement represents the entire agreement of the parties as to the subject matter hereof, and supersedes any previous discussions, negotiations, agreements, purchase option rights or other agreements or understandings concerning the purchase and sale of the Real Estate, whether or not such previous agreements or option rights may have been filed of record.

(b) This Agreement may be amended by a subsequent written agreement duly executed by each of the parties hereto.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors in interest, permitted assigns and Personal Representatives.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective on the date and year first shown above.

DORRANCE B. MCDONALD

THOMAS P. MCDONALD

EMOGENE A. MCDONALD

GRANTORS **GRANTEE**

STATE OF IOWA)
) ss:
COUNTY OF LINN)

This instrument was acknowledged before me on the 27th day of December, 2006, by Dorrance B. McDonald and Emogene A. McDonald, husband and wife.

NOTARY PUBLIC - STATE OF IOWA

MICHAEL O. MCDERMOTT
COMMISSION NUMBER 206094
MY COMMISSION EXPIRES
JUNE 15, 2007

STATE OF IOWA)
) ss:
COUNTY OF LINN)

This instrument was acknowledged before me on the 27th day of December, 2006, by Thomas P. McDonald, a married man.

NOTARY PUBLIC - STATE OF IOWA

MICHAEL O. MCDERMOTT
COMMISSION NUMBER 206094
MY COMMISSION EXPIRES
JUNE 15, 2007