

\$ 5,000.00 ON THE 21ST DAY OF JULY, 1925;
 \$10,000.00 ON THE 25TH DAY OF AUGUST, 1925;
 \$10,000.00 ON THE 15TH DAY OF SEPTEMBER, 1925;
 \$15,000.00 ON THE 15TH DAY OF NOVEMBER, 1925;
 \$210,000.00 ON OR BEFORE THE 15TH DAY OF MARCH, 1927
 WITH THE INTEREST PAYABLE QUARTERLY AT 6% PER ANNUM

IT BEING UNDERSTOOD AND AGREED THAT THIS OPTION IS TO BE EXCLUSIVE, WHEN AND IF, PAYMENTS ARE MADE AS ABOVE STIPULATED, AND NOT OTHERWISE. IN OTHER WORDS THIS OPTION IS EXCLUSIVE UP TO AND INCLUDING THE 21ST DAY OF JULY, 1925; IF THE PAYMENT OF \$5,000.00 ABOVE SET FORTH IS MET, THEN IT BECOMES EXCLUSIVE UP TO AND INCLUDING THE 25TH DAY OF AUGUST, 1925; IF THE PAYMENT OF \$10,000.00 ABOVE SET FORTH TO BE PAID UPON THAT DATE IS MET, THEN IT BECOMES EXCLUSIVE UP TO AND INCLUDING THE 15TH DAY OF SEPTEMBER, 1925; IF THE PAYMENT OF \$10,000.00 SET FORTH TO BE MADE ON THAT DATE IS MET, IT BECOMES EXCLUSIVE UP TO AND INCLUDING THE 15TH DAY OF NOVEMBER, 1925, AND OF THE FURTHER PAYMENT OF \$15,000.00 SET FORTH TO BE PAID ON THAT DATE IS MET, IT BECOMES EXCLUSIVE UP TO AND INCLUDING THE 15TH DAY OF MARCH, 1927, BUT AND IF, THE SAID HERMAN KOLBERG, OR THOSE CLAIMING UNDER HIM SHALL FAIL TO MEET ANY OF THE PAYMENTS AS THEY BECOME DUE, THEN AND IN THAT EVENT THIS OPTION SHALL CEASE AND BE AT AN END AND I WILL RETAIN AS FULL LIQUIDATED DAMAGES ANY AND ALL PAYMENTS THAT MAY HAVE BEEN MADE HEREON PRIOR TO SUCH DEFAULT. THIS OPTION CONTEMPLATES, AND INDEED COVERS, ALL OF THE ISSUED CAPITAL STOCK OF THE SAID SPIRIT LAKE RAILWAY & POWER COMPANY AND ALSO ALL OF THE UNISSUED OR TREASURY STOCK, OR IN OTHER WORDS ALL OF THE \$350,000.00 AUTHORIZED CAPITAL OF SAID COMPANY. IN THIS SAME CONNECTION I AGREE THAT ALL REAL AND PERSONAL PROPERTIES, RIGHTS, FRANCHISES, PERMITS AND OR EXTENSIONS OF PERMITS EASEMENTS AND ENJOYMENTS OF ANY AND EVERY KIND AND CHARACTER OWNED AND CONTROLLED, OR UNDER OPTION OR CONTRACT TO OR DUE OR IN ANY WAY APPERTAINING TO THE SPIRIT LAKE RAILWAY & POWER COMPANY OR ITS PROJECTS FOR POWER DEVELOPMENT OF SPIRIT LAKE AND TOUTLE RIVER, SHALL BE PROMPTLY AND PROPERLY TRANSFERRED TO THE SAID COMPANY AND DULY RECORDED AND REMAIN THE PROPERTY OF THE CORPORATION DURING ALL OF THE LIFE OF THIS OPTION UPON THE CAPITAL STOCK TO THE SAID HERMAN KOLBERG, AND I WILL HAVE THESE TRANSFERS, AND OR ASSIGNMENTS MADE AND RECORDED AT ONCE AND A COMPLETE ABSTRACT OF TITLE PREPARED AND DELIVERED TO THE SAID HERMAN KOLBERG OR HIS ATTORNEYS FOR EXAMINATION AND APPROVAL, AND THIS OPTION IS GIVEN UPON THE REPRESENTATION THAT THE PROPERTIES OF THE COMPANY ARE NOT INCUMBERED, THAT THERE ARE NO DEBTS OR JUDGMENTS OR LITIGATIONS PENDING AND I FURTHERMORE AGREE THAT DURING THE LIFE OF THIS OPTION NOTHING SHALL BE SOLD OR TRANSFERRED OR ENCUMBERED BY THE STOCKHOLDERS OF RECORD OR BY THE TRUSTEES OR OFFICERS OF THE CORPORATION WITHOUT THE CONSENT OF THE SAID HERMAN KOLBERG, OR THOSE CLAIMING UNDER HIM. IN OTHER WORDS EVERYTHING OWNED BY THE COMPANY IS FREE AND CLEAR, WITH THE EXCEPTION OF THE RIGHTS OF WAY THROUGH THE FOREST RESERVE WHICH HAVE LAPSED, AND WHICH THE SAID KOLBERG OR THOSE CLAIMING THROUGH HIM WILL LATER ARRANGE FOR TO SUIT THEIR OWN PURPOSES AND AT THEIR OWN COST.

FOR THE PURPOSE OF CARRYING OUT THIS AGREEMENT AND FOR THE PROTECTION OF THE SAID HERMAN KOLBERG OR THOSE CLAIMING UNDER HIM, I WILL PRIOR TO JULY 21, 1925, ESCROW WITH THE UNITED STATES NATIONAL BANK, OF VANCOUVER, WASHINGTON, ALL OF THE CERTIFICATES COVERING THE 296,113 SHARES OF CAPITAL STOCK HERETOFORE ISSUED BY THE SPIRIT LAKE RAILWAY AND POWER COMPANY AND ALSO THE STOCK BOOK COVERING THE UNISSUED OR TREASURY STOCK OF THE SAID COMPANY, THEREBY ESTABLISHING THE FACT THAT I CAN AND WILL BE ABLE TO MAKE DELIVERY OF ALL THE CAPITAL STOCK AND UNISSUED TREASURY