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Vol. 74 Page 8075PARTNERSHIP AGREEMENT

THIS AGREEMENT made and entered into the 26th day of January, 1970, by and between C. T. HATFIELD (sometimes hereinafter referred to as "Hatfield"), and FRED TSCHOPP, JR. (sometimes hereinafter referred to as "Tschopp"), who reside in Los Angeles County, California, and 18541 Santa Andrea Street, Fountain Valley, California, 92708, respectively:

WITNESSETHRECITALS:

WHEREAS, the parties do hereby form a partnership for the purpose of ranching by way of acquiring, owning, building upon, altering, repairing, renting, leasing, selling, and otherwise dealing with real estate and personal property incidental thereto, all of which property is more particularly described in the Land Sale Contract executed between Romie R. Royse and Jessie P. Royse and the parties hereto, dated 23 January 1970, incorporated herein by reference; EXCEPT for the following described parcels of the aforesaid real property which is to be reserved and retained by each of the partners as their separate property not subject to this Partnership Agreement, deeds to which will be executed by Hatfield to Tschopp and Tschopp to Hatfield as soon as practicable.

RESERVED TO HATFIELD: E 1/2 SE 1/4 SE 1/4 of Section 25 T. 30 S., R. 10 E., W.M., Klamath County, Oregon.

RESERVED TO TSCHOPP: E 1/2 NE 1/4 SE 1/4 of Section 25 T. 30 S., R. 10 E., W.M., Klamath County, Oregon. ; and

WHEREAS, the partners desire to further define their rights and obligations and memorialize their agreement and certain oral terms agreed upon by the partners in writing; and,

WHEREAS, the partners have agreed to file an Assumed Business Name of W. Y. TERFRED RANCH in the office of the Department of Commerce, State of Oregon, Corporation Division, pursuant to the laws of the State of Oregon, said filing to cover the counties of Jackson, Klamath, Lane, Maron, Multnomah, and Folk, State of Oregon.

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NOW, THEREFORE, in consideration of the mutual agreements and understandings of the parties, the partners agree, each with the other as follows:

1. NAME AND PURPOSE OF PARTNERSHIP:

The name of the partnership shall be W. Y. TERFRED RANCH, whose principal places of business are located at 18541 Santa Andrea Street, Fountain Valley, California, and c/o Drawer B, Chemult, Oregon. The character and purpose of the business to be conducted by the partnership shall be ranching and the acquisition, ownership, construction, management, altering, repairing, renting, leasing, selling, and disposal of real property and all matters related to the investment and development of real property, and in such other business or businesses as the partners shall determine.

2. TERM OF PARTNERSHIP:

The Partnership shall continue for a period of twenty (20) years from the date of execution of this Agreement provided, however, that such partnership business may be terminated at any time by the mutual consent of the partners.

An extension of the basic twenty (20) year term may be provided for at any time in the future by amendment to this Agreement executed by both partners.

3. PARTNERS INITIAL CONTRIBUTIONS TO PARTNERSHIP:

PROFITS AND LOSSES:

The amount of cash initially contributed by each partner to the partnership (initial capitalization amount) is as follows:

C. T. HATFIELD	\$2,670.75
FRED TSCHOPP, JR.	\$2,670.75

By reason of the equal contribution of each partner, each partner shall share in the partnership business and in the profits and losses of the partnership business according to the following percentages:

C. T. HATFIELD	50%
FRED TSCHOPP, JR.	50%

No partner shall have priority over any other partner, except in connection with the return of contributions after having made written request

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therefor as provided for herein.

The net profits or net losses of the partnership shall be distributed or charged to the partners as follows: C. T. HATFIELD - 50%; FRED TSCHOPP, JR. - 50%, subject to adjustment for gains, losses, and depreciation. The parties to this Agreement acknowledge and understand that the contributed value of certain of the partnership assets differs from their adjusted basis for tax purposes. Having considered this fact, the partners agree that all gains, losses, and depreciation shall be allocated amongst the partners, taking into account the difference between the contributed value of the assets and the adjusted basis of the said assets, and that the special allocation rule provided for in Section 704 (c)(2) of the Internal Revenue Code shall apply. The term "net profit" as used in this Agreement shall mean the net profit determined by the accountant employed by the partnership at the close of each fiscal year on the partnership information tax return filed for Federal Income Tax purposes. Division of profits and losses shall be made at the close of each accounting period.

4. LIMITATION OF TRANSFER OF INTERESTS IN PARTNERSHIP:

A partner may not substitute an assignee as contributor in his place without the written and witnessed consent of the other partner. No certificates or other documents shall be issued evidencing the contribution or interests of a partner in the partnership, it being the intention that the interest of each partner shall not be conveyed or assigned without the written and witnessed consent of the other partner.

No additional partners shall be admitted to this partnership except with the mutual consent of both partners as witnessed by an amendment to this Agreement.

5. AUTHORITY OF PARTNERS: MANAGEMENT, DUTIES, RESTRICTIONS:

Both partners are required to sign all documents and notes and to execute conveyances, notes, deeds of trust, and all other loan documents and loan applications on behalf of the partnership. Either partner may sign partnership checks for the payment of regular trust deed, note and loan payments, tax bills, and expenses incurred during the normal operation of the partnership

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business, but only when such expenses do not exceed a total of \$500.00 per month.

Each partner shall have an equal voice in the management of the partnership. No partner shall, without the consent of the other partner, borrow or lend money on behalf of the partnership; sell, assign, lease, mortgage, or pledge his interest in the partnership; or execute any sales agreement, lease, mortgage, or endorsement on behalf of the partnership. No interest shall be payable on the capital contributions of the partners. Loans and interest-bearing advances by a partner shall require the approval of the other partner, and shall be segregated in a loans payable account.

Each partner agrees to keep his personal debts and financial affairs in good order and to inform the other partner of his work and transactions on behalf of the partnership, and to disclose to him his knowledge of the partnership business and affairs.

6. BANKING:

All funds of the partnership shall be deposited in partnership bank accounts, as designated from time to time by the partners. All withdrawals from such accounts shall be made upon checks signed by any one of the partners, up to the amount of \$500.00.

7. PARTNERSHIP RECORDS: ACCOUNTING:

The partnership shall maintain complete books of account and financial records, which shall be available for inspection and reasonable examination by any of the partners during normal business hours. All accounting for the partnership business shall be based on a fiscal year which corresponds to the calendar year of January 1 through December 31, and all profits and losses shall be computed on a "cash basis" of accounting in accordance with good accounting principles.

A statement of income and expense and a balance sheet setting forth the assets and liabilities of the partnership shall be prepared annually, and the profit and loss of both partners determined in accordance with this Agreement and good accounting principles. A copy of such statement shall be given to each of the partners.

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8. SALARIES OR DRAW:

Except as provided for above, a partner shall receive no salary or compensation whatsoever from the partnership except by mutual agreement of the partners.

9. TERMINATION OR PURCHASE OF PARTNERSHIP INTEREST:

Upon the death, retirement, expulsion, bankruptcy, insanity, disablement, or subjection of a partner's interest to a charging order without the immediate removal thereof, the remaining partner shall have the right either to dissolve and liquidate the partnership or to continue the partnership business under its present name upon the payment by the partnership to the terminating partner or his personal representative of the value of his interest in the partnership assets to be determined under the provisions of Paragraph 10 of this Agreement. Written notice of the exercise of the option to purchase shall be given to the following persons within the following periods:

(1) Where a partner has died, notice of exercise of the option shall be given to the personal representative of his estate within sixty (60) days after the appointment of the personal representative.

(2) Where a partner has given notice of retirement, notice of exercise of the option shall be given to said retiring partner by the continuing partner within sixty (60) days after the remaining partner has received notice of retirement.

(3) Where a partner is disabled, bankrupt, insane, or subject to a charging order, notice of exercise of the option shall be given to said partner at the same time he is served with the notice of intention to terminate his interest.

10. VALUATION OF PARTNERSHIP INTEREST:

The value of a partner's share, for purposes of the option-to-purchase provisions of this Agreement, shall be determined as of the last day of the month next preceding the death, retirement, or termination of a partner, and shall be valued by outside appraisers, to be chosen in the following manner:

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(1) The continuing partner, on the one hand, and the retired or terminating partner, or the legal representative of a deceased partner, on the other, shall agree upon a single appraiser or firm of appraisers.

(2) If the continuing partner, on the one hand, and the retired or terminating partner, or the legal representative of a deceased partner, on the other, cannot agree upon an appraiser, then each shall choose an appraiser or firm of appraisers. The appraiser or appraisers thus chosen shall set a monetary figure on the going concern value of the firm.

(3) If the appraisers thus chosen shall be unable to agree upon a figure within ninety (90) days after the last of them shall have been chosen, they shall agree upon a third appraiser, and such selection shall be binding upon all of the parties to this Agreement.

(4) The decision of a majority of the appraisers as to the valuation figure shall be conclusive on the continuing partner, on the one hand, and on the retiring or terminating partner, or the legal representative of the deceased partner, on the other.

11. PURCHASE WITH INSTALLMENT PAYMENTS:

Payment for the interest of a deceased, retired, or otherwise terminated partner shall be made as follows:

The terminated partner or his legal representative shall be paid such amount as shall be computed under the provisions of paragraph 10 of this Agreement. Payment shall be in four installments, commencing from thirty (30) days after the end of the calendar month in which the option to purchase was exercised, and shall be payable yearly thereafter. The first installment shall be in an amount equal to 25% of the amount computed under the provisions of paragraph 10 of this Agreement with the remaining 75% of said amount to be paid within three years subsequent to the initial payment, and this obligation shall be evidenced by a promissory note with interest at the rate of 7% per annum.

When the initial payment is made by the remaining partner, the terminating partner or his legal representative shall transfer all of his right, title, and interest in the partnership business to the remaining partner, and the

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remaining partner shall assume and hold the terminating partner and his personal representatives free and harmless from any claim or liability of the partnership business.

12. LIABILITIES:

The parties recognize that their obligations and liabilities with respect to their partnership activities is joint and several; however, as between themselves each desires to limit his respective obligation to third parties to one-half of the aggregate obligations incurred. For such purpose, each of the partners does hereby mutually indemnify and hold harmless the others from any obligations or liabilities which may be incurred by the partnership in favor of third parties and which one partner may be required to satisfy to any extent in excess of one-half of such obligation or liability. For purposes of this paragraph, loans by a partner to the partnership shall be deemed a third party obligation for which each of the partners is liable for the payment of one-half of the unpaid balance thereof.

13. ARBITRATION:

In case of a dispute arising between the partners concerning the operation, management or dissolution of the partnership, or the provisions of this Agreement, the parties hereby agree to submit the same to arbitration as follows:

Each partner shall appoint one arbitrator, and the arbitrators thus selected shall select a third arbitrator, and an award of a majority of the arbitrators shall be binding and conclusive on the parties. The three arbitrators when duly appointed shall, if they desire, have access to all books and records of the partnership and have the right to examine all of its accounts and do all things necessary to make a firm and full settlement of all matters in arbitration.

14. ATTORNEYS' FEES:

In the event any party to this Agreement shall bring action to enforce any of the provisions hereof, the unsuccessful party to such action shall pay to the successful party thereto such reasonable attorneys' fees and other costs as the court shall include in the judgment.

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15. AMENDMENT:

This Agreement may be amended only by mutual agreement of the partners in writing.

16. NOTICES:

All notices under this Agreement shall be in writing and shall be effective either upon personal delivery, or if sent by certified or registered mail, return receipt request, addressed to the last known address of the party to whom such notice is to be given.

17. HEIRS AND ASSIGNS:

The agreements contained herein shall be binding upon and inure to the benefit of the respective heirs, assigns, and personal representatives of the parties hereto.

18. MISCELLANEOUS:

(1) The parties agree to execute any further instruments and perform any further acts which are or may be necessary to effectuate this Agreement.

(2) The term "personal representative" as used herein shall include any duly appointed executor, administrator, guardian, or conservator of a party hereto.

(3) Upon dissolution of this partnership by death, bankruptcy, retirement, withdrawal, or insanity of a partner, or otherwise, a notice of dissolution shall be published and an affidavit published and filed in accordance with appropriate laws governing such partnership effective at that time.

(4) The effective date of this Agreement is 26 January 1970.

Cabell Terry Hatfield
CABELL TERRY HATFIELD

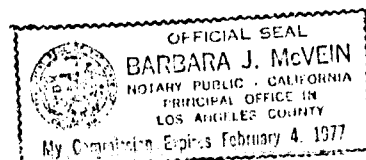
Fred Tschopp Jr.
FRED TSCHOPP JR.

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STATE OF CALIFORNIA }
County of Los Angeles } ss.

On this 30th day of April 1974, before me, the undersigned, a Notary Public in and for said State, personally appeared FRED TSCHOPP, JR., known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

WITNESS my hand and official seal.



Barbara J. McVein
Notary Public in and for said State

STATE OF Oregon }
County of Klamath } ss.

On this 8 day of May, 1974, before me, the undersigned, a Notary Public in and for said State, personally appeared CABELL TERRY HATFIELD, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

Robert R. Brown
Notary Public in and for said State

My Commission Expires 10/4/76

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of BOIVIN & BOIVIN
this 15th day of MAY A.D. 1974 at 2:34 o'clock P. M., and duly recorded in
Vol. M. 7h of DEEDS on Page 6075

FEE \$ 18.00

WM. D. MILNE, County Clerk
By *Hazel L. Hargis* Deputy