

AGREEMENT dated the date set opposite the signatures of the parties hereto between FERN L. LOVENESS, surviving spouse of Vinton H. Loveness, deceased (herein called "LOVENESS") and LOVENESS LOGGING, INC., an Oregon corporation (herein called "LOGGING");

W I T N E S S E T H:

WHEREAS, VINTON H. LOVENESS and FERN L. LOVENESS, were husband and wife, and the owners, as tenants by the entirety, of the real property described in Exhibit "1"; and,

WHEREAS, VINTON H. LOVENESS died on the 23rd day of October, 1979; and,

WHEREAS, FERN L. LOVENESS is the successor in interest to the fee title of the real property described in Exhibit "1"; and,

WHEREAS, VINTON H. LOVENESS and FERN L. LOVENESS, several years prior to the date hereof, made an oral agreement with LOGGING granting it the sole and exclusive right to harvest from the real property described in Exhibit "1" all merchantable timber for and in consideration of LOGGING paying certain real property taxes and assessments on the real property described in Exhibit "1" and all severance and/or yield taxes for such harvested timber; and,

WHEREAS, said agreement was part of the bargained for consideration in the partition of real property described in Exhibit "1" and real property described in Exhibit "2", which real property was, prior to partitioning, owned as one parcel by VINTON H. LOVENESS and FERN L. LOVENESS, husband and wife, and LOYAL H. LOVENESS and MILDRED H. LOVENESS, husband and wife; and,

WHEREAS, LOGGING has fully and duly performed its undertakings and agreements with VINTON H. LOVENESS and FERN L. LOVENESS; and,

WHEREAS, the parties hereto now desire to reduce their prior oral agreement to writing;

NOW, THEREFORE, the parties agree as follows:

1. Grant of Cutting Rights: LOVENESS hereby bargains, sells, grants, and conveys to LOGGING the sole and exclusive right to cut all merchantable timber of all species of timber growing upon the real property described in Exhibit "3". The parties agree that merchantable timber shall mean the following: any burned tree producing a 16' log with a top diameter of at least 6", and any nonburned tree with an 18" diameter, breast height.

2. Consideration: LOGGING shall pay regularly, before the same become delinquent, all real property taxes and assessments of every kind and nature levied by any entity having the power to assess and levy ad valorem taxes on real property described in Exhibit "3". LOGGING may pay such taxes and assessments in installments if it so elects and if such installment payment is permitted by the levying entity. If LOGGING elects to pay such taxes and assessments in installments, it shall also pay any interest or late

charges for installment payment of said taxes or assessments. This obligation shall reduce pro rata as the merchantable timber is harvested from portions of the real property described in Exhibit "3" i.e., the obligation to pay taxes shall not extend to logged over property.

3. Logging Operations:

a. In General: LOGGING shall conduct all logging operations in a good and workmanlike manner and in accordance with the standard of best logging practices obtained under similar conditions in the State of Oregon, and in the conduct thereof, LOGGING agrees to comply with and conform to all requirements of law.

b. Permits: LOGGING will obtain all necessary harvesting and logging permits from the State of Oregon and the United States of America to log the above described land, and any other permits that may be required by law.

c. Boundaries: LOGGING will determine all boundaries, will be responsible for any logging operations outside of the land herein described, and agrees to indemnify and hold LOVENESS harmless from any claim, demand, court or any other proceeding, and costs of all kind (including all attorneys fees at trial, or on appeal) arising from, out of, or in connection with the cutting of timber outside of the real property described in this Agreement.

d. Hold Harmless and Indemnify: LOGGING shall save and hold harmless LOVENESS from, and hereby indemnifies LOVENESS against, liability to any person or persons for or on account of any death or injuries to persons, or any damage to property in or about the real property described in Exhibit "3" that may result by reason of any logging operations performed by LOGGING pursuant to this agreement. This covenant shall include, but not be limited to, all sums and amounts of money which LOVENESS shall pay or cause to be paid or become liable to pay, including, but not limited to, any and all judgments and any and all attorneys fees, at trial or on appeal.

e. Protection of Uncut Trees and Penalty For Damage: Uncut trees shall be protected from damage or destruction in LOGGING'S operations.

f. Cleanup and Slash Disposal: LOGGING shall, at its expense, handle slashings in compliance with the Forest Practices Act or similar law.

4. Warranty of Title: LOVENESS warrants that LOVENESS is the owner of the timber and real property herein described and that the same is free and clear of all encumbrances.

5. Duration and Nature of Rights: The right to harvest timber on the real property described in Exhibit "3" shall expire when all of the merchantable timber described herein has been cut over once. As merchantable timber is cut, the rights and duties regarding the real property described in Exhibit "3" shall be reduced pro tanto. The rights and duties created

hereby shall not be construed as vesting in LOGGING any fee simple title to the real property described herein. Notwithstanding the foregoing, all rights and duties of LOGGING created hereby shall terminate five (5) years from the date hereof in the event that the timber described in Exhibit "3" shall not have been fully cut within said five-year term. Upon completion of all cutting rights afforded LOGGING hereunder, LOGGING will, upon any reasonable request by any reputable title company, execute, in recordable form, whatever affidavit or declaration as such title company may reasonably require to remove from the records this agreement.

6. Waiver: Any waiver by any party hereto of any breach of any covenant herein contained to be kept and performed by the other party shall not be deemed or considered as a continuing waiver, and shall not operate as a bar or prevent the party in whose favor the covenant runs, from seeking any remedy by law, or in equity, for any succeeding breach of either the same covenant or any other covenant.

7. Remedies: Any claim or dispute concerning questions of fact or law arising out of or relating to this Agreement, its performance or alleged breach, which are not disposed of by agreement of the parties, shall be submitted by either party for determination by arbitration to the American Arbitration Association. Thereafter, such claim or dispute shall be arbitrated pursuant to the Rules of the American Arbitration Association. The result of such arbitration pursuant to this paragraph shall be final and binding on all of the parties hereto and enforceable as provided by law.

8. Attorney Fees: In the event either party institutes any suit or action against the other arising out of, or connected with, the transaction embodied in this Agreement, the prevailing party shall recover from the other party reasonable attorney fees to be fixed by the court for both trial and on appeal. This provision is hereby expressly declared by the parties hereto to be severable from all other terms, covenants, and provisions of this Agreement.

9. Construction: This Agreement is to be governed and construed under the laws of the State of Oregon. Any provision contained herein which may be determined by any court of competent jurisdiction to contravene the laws of the State of Oregon shall be deemed not to be a part of this Agreement. The headings contained in this Agreement are for convenience only and are not to be construed as part of this Agreement. All words used in the singular number shall extend to and include the plural. All words used in the plural number shall extend to and include the singular. All words used in any gender shall extend to and include all genders. This Agreement shall be construed as mutually prepared and shall constitute a merger of all prior negotiations into this instrument.

10. Heirs and Assigns: All rights, remedies, and liabilities herein given to or imposed upon either of the parties hereto shall extend to, inure to the benefit of and bind, as the circumstances may require, the heirs, executors, administrators, personal representatives, and to the extent that this Agreement is assignable by the terms hereof, to the assigns of such parties. The parties expressly understand and agree that LOGGING may not assign its rights created by this Agreement except as follows: entirely to LOVENESS COMPANY, an Oregon corporation; or as security for debts to any lender or creditor.

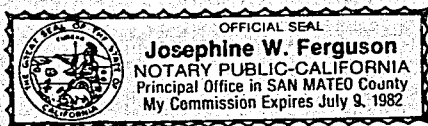
Fern L. Loveness 1/18/80
FERN L. LOVENESS (Date)

LOVENESS LOGGING, INC., an Oregon Corporation
By: [Signature] 1/18/80
President (Date)
By: [Signature] 1/21/80
Secretary (Date)

STATE OF California)
) ss.
 County of San Mateo)

On January 18, 1980, personally appeared the above named FERN L. LOVENESS and acknowledged the foregoing instrument to be her voluntary act and deed.

(SEAL)



Before me:

Josephine W. Ferguson
 Notary Public for County of San Mateo
 My Commission Expires 7/9/82

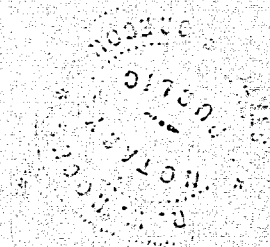
STATE OF OREGON)
) ss.
 County of Klamath)

On January 21, 1980, personally appeared LOREN E. LOVENESS and RONALD E. LOVENESS, who, being duly sworn, each for himself and not one for the other, did say that the former is the president and that the latter is the secretary of LOVENESS LOGGING, INC., an Oregon corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors; and each of them acknowledged said instrument to be its voluntary act and deed.

Before me:

Rubens
 Notary Public for Oregon
 My Commission Expires: 4-11-81

(SEAL)



[Handwritten signature]

The following described real property situate in Klamath County, Oregon, to wit:

Township 40 South, Range 13, E.W.M.:

Section 30: $SE\frac{1}{2}NE\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}$; $NW\frac{1}{2}NE\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}$; $SW\frac{1}{2}NE\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}$; $SE\frac{1}{2}SW\frac{1}{2}$; $SW\frac{1}{2}SW\frac{1}{2}$.

Section 32: $S\frac{1}{2}SE\frac{1}{2}$; $NW\frac{1}{2}SE\frac{1}{2}$.

Section 31: Government Lot 1 $E\frac{1}{2}NW\frac{1}{2}$; $SW\frac{1}{2}NE\frac{1}{2}$; $N\frac{1}{2}SE\frac{1}{2}$.

Section 33: $SW\frac{1}{2}SW\frac{1}{2}$; Beginning at a point on the Northwest corner of $SE\frac{1}{2}SW\frac{1}{2}$; thence Diagonally Southeasterly to the Southeast corner of $SE\frac{1}{2}SW\frac{1}{2}$; thence Westerly along the South boundary of $SE\frac{1}{2}SW\frac{1}{2}$ to the Southwest corner of $SE\frac{1}{2}SW\frac{1}{2}$; thence Northerly along the West boundary of $SE\frac{1}{2}SW\frac{1}{2}$ to the point of beginning.

Section 35: $E\frac{1}{2}SE\frac{1}{2}$.

Township 41 South, Range 13, E.W.M.:

Section 2: $NW\frac{1}{2}NW\frac{1}{2}$; $S\frac{1}{2}NW\frac{1}{2}$; $NW\frac{1}{2}NE\frac{1}{2}$; $S\frac{1}{2}NE\frac{1}{2}$; $S\frac{1}{2}$

Section 3: Entire Section.

Section 4: Entire Section.

Section 5: $NE\frac{1}{2}$; $E\frac{1}{2}NW\frac{1}{2}$; $N\frac{1}{2}SE\frac{1}{2}$

Section 8: $E\frac{1}{2}NE\frac{1}{2}$

Section 9: $NE\frac{1}{2}$; $SE\frac{1}{2}$; $NW\frac{1}{2}$; $E\frac{1}{2}SW\frac{1}{2}$.

Section 10: Entire Section.

Section 11: Entire Section.

Section 12: $W\frac{1}{2}NW\frac{1}{2}$; $W\frac{1}{2}SW\frac{1}{2}$.

Section 13: $W\frac{1}{2}NW\frac{1}{2}$; $N\frac{1}{2}SW\frac{1}{2}$.

Section 14: $NE\frac{1}{2}$; $SE\frac{1}{2}NW\frac{1}{2}$; $W\frac{1}{2}NW\frac{1}{2}$; $SE\frac{1}{2}$; $SW\frac{1}{2}$.

Section 15: $NE\frac{1}{2}$; $NW\frac{1}{2}$; $N\frac{1}{2}SE\frac{1}{2}$; $NE\frac{1}{2}SW\frac{1}{2}$; Beginning at a point on the Northwest corner of $SE\frac{1}{2}SE\frac{1}{2}$; thence Easterly along the North boundary of $SE\frac{1}{2}SE\frac{1}{2}$ to the Northeast corner of $SE\frac{1}{2}SE\frac{1}{2}$; thence Southerly to the Southeast corner of $SE\frac{1}{2}SE\frac{1}{2}$; thence Diagonally Northwesterly to the point of beginning; Beginning at a point on the Northwesterly corner of $NW\frac{1}{2}SW\frac{1}{2}$; thence Easterly along the North boundary of $NW\frac{1}{2}SW\frac{1}{2}$ to the Northeast corner of $NW\frac{1}{2}SW\frac{1}{2}$; thence Southerly to the Southeast corner of $NW\frac{1}{2}SW\frac{1}{2}$; thence Diagonally Northwesterly to the point of beginning.

Section 16: $NE\frac{1}{2}NE\frac{1}{2}$; Beginning at a point on the Northwest corner of $SE\frac{1}{2}NE\frac{1}{2}$; thence Easterly along the North boundary of $SE\frac{1}{2}NE\frac{1}{2}$ to the Northeast corner of $SE\frac{1}{2}NE\frac{1}{2}$; thence Southerly to the Southeast corner of $SE\frac{1}{2}NE\frac{1}{2}$; thence Diagonally Northwesterly to the point of beginning; Beginning at a point on the Northwest corner of $NW\frac{1}{2}NE\frac{1}{2}$; thence Easterly along the North boundary of $NW\frac{1}{2}NE\frac{1}{2}$ to the Northeast corner of $NW\frac{1}{2}NE\frac{1}{2}$; thence Southerly to the Southeast corner of $NW\frac{1}{2}NE\frac{1}{2}$; thence Diagonally Northwesterly to the point of beginning.

Section 17: E $\frac{1}{2}$ NW $\frac{1}{4}$; NE $\frac{1}{4}$ SW $\frac{1}{4}$; Beginning at a point on the Northwest corner of NW $\frac{1}{4}$ SE $\frac{1}{4}$; thence Easterly along the North boundary of NW $\frac{1}{4}$ SE $\frac{1}{4}$ 1276.26 feet to a point; thence Southerly 520 feet to a point; thence Westerly 1276.26 feet to a point; thence Northerly 520 feet, more or less, to the point of beginning.

Section 20: SE $\frac{1}{4}$ NW $\frac{1}{4}$; Beginning at a point on the Southwest corner of SW $\frac{1}{4}$ NE $\frac{1}{4}$; thence Easterly along the South boundary of SW $\frac{1}{4}$ NE $\frac{1}{4}$ 1284.95 feet to a point; thence Northerly 1113 feet to a point; thence Westerly 1284.95 feet; thence Southerly 1113 feet, more or less, to the point of beginning.

The following described real property situate in Klamath County, Oregon, to wit:

Township 40 South, Range 13 E.W.M.:

- Section 17: $S\frac{1}{2}S\frac{1}{2}$
 Section 18: $S\frac{1}{2}$
 Section 19: $N\frac{1}{2}NE\frac{1}{4}$; $NE\frac{1}{4}NW\frac{1}{4}$; $SW\frac{1}{4}NE\frac{1}{4}$; $SE\frac{1}{4}$; $SE\frac{1}{4}SW\frac{1}{4}$.
 Section 20: $N\frac{1}{2}N\frac{1}{2}$; $S\frac{1}{2}NE\frac{1}{4}$; $SE\frac{1}{4}NW\frac{1}{4}$; $SE\frac{1}{4}$; $SE\frac{1}{4}SW\frac{1}{4}$; $W\frac{1}{2}SW\frac{1}{4}$.
 Section 29: Entire Section
 Section 30: $N\frac{1}{2}NE\frac{1}{4}$; $NE\frac{1}{4}NW\frac{1}{4}$; $SW\frac{1}{4}NE\frac{1}{4}$; $E\frac{1}{2}SE\frac{1}{4}$; $NW\frac{1}{4}SE\frac{1}{4}$; $NE\frac{1}{4}NE\frac{1}{4}NE\frac{1}{4}SW\frac{1}{4}$

 Section 21: $W\frac{1}{2}$; $NW\frac{1}{4}NE\frac{1}{4}$; $S\frac{1}{2}NE\frac{1}{4}$; $NW\frac{1}{4}SE\frac{1}{4}$; $S\frac{1}{2}SE\frac{1}{4}$.
 Section 22: $S\frac{1}{2}NW\frac{1}{4}$; $W\frac{1}{2}SW\frac{1}{4}$ $SE\frac{1}{4}$
 Section 27: Entire Section
 Section 28: Entire Section
 Section 26: $S\frac{1}{2}SW\frac{1}{4}$.
 Section 32: $N\frac{1}{2}N\frac{1}{2}$; $SE\frac{1}{4}NW\frac{1}{4}$; $S\frac{1}{2}NE\frac{1}{4}$; $NE\frac{1}{4}SE\frac{1}{4}$.
 Section 33: $N\frac{1}{2}$; $SE\frac{1}{4}$; $N\frac{1}{2}SW\frac{1}{4}$; and Beginning at a point on the NW corner of $SE\frac{1}{4}SW\frac{1}{4}$; thence Easterly along the North boundary of $SE\frac{1}{4}SW\frac{1}{4}$ to the Northeast corner of $SE\frac{1}{4}SW\frac{1}{4}$; thence Southerly to the Southeast corner of $SE\frac{1}{4}SW\frac{1}{4}$; thence Diagonally Northwesterly to the point of beginning.
 Section 34: Entire Section.
 Section 35: $W\frac{1}{2}$; $W\frac{1}{2}SE\frac{1}{4}$; $SE\frac{1}{4}NE\frac{1}{4}$.

The following described real property situate in Klamath County, Oregon, to-wit:

Township 40, South, Range 13, E.W.M.:

Section 32: $W\frac{1}{2}SE\frac{1}{2}$, $SE\frac{1}{2}SE\frac{1}{2}$
 Section 33: $SW\frac{1}{2}SW\frac{1}{2}$, $SW\frac{1}{2}SE\frac{1}{2}SW\frac{1}{2}$

Township 41 South, Range 31, E.W.M.:

Section 2: Portion southwesterly of main ridge
 (Southwesterly $1/2$ of section)
 Section 3: All
 Section 4: All
 Section 5: $NE\frac{1}{2}$; $N\frac{1}{2}SE\frac{1}{2}$, $E\frac{1}{2}NW\frac{1}{2}$
 Section 8: $E\frac{1}{2}NE\frac{1}{2}$
 Section 9: $N\frac{1}{2}$
 Section 10: All
 Section 11: All

Ret:
 Giacomini Jones
 & Zamsky
 635 Main St.
 K. Falls, Or.

STATE OF OREGON; COUNTY OF KLAMATH; ss.
 filed for record at request of Giacomini, Jones & Zamsky
 this 22nd day of January A. D. 19 80 at 3:51 o'clock PM., an-
 fully recorded in Vol. M-80, of Deeds on Page 1315

Wm D. MILNE, County Clerk

By Jacqueline J. Mettee

Fee \$28.00