

THIS AGREEMENT made and entered into as of the 1st day of January, 1981, by and between C.T. HATFIELD, hereinafter known as "HATFIELD", FRED TSCHOPP, JR., hereinafter known as "TSCHOPP", doing business as a partnership known as W. Y. TERFRED RANCH, and GERALD V. BREEDLOVE, hereinafter known as "BREEDLOVE".

1. Name and Business. The parties hereby form a partnership under the name of "W. Y. TERFRED RANCH", whose principal place of business is located at 18541 Santa Andrea Street, Fountain Valley, California. 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. The partnership shall begin as of January 1, 1981, and shall continue on from year to year until terminated as herein provided.

3. Capital.

A. Contribution of HATFIELD and TSCHOPP

(1) The capital of the partnership shall consist of 240 acres more or less of the following described real property which is to be the contribution of TSCHOPP and HATFIELD:

The SW1/4 of Section 25, Township 30 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

The W1/2SE1/4 of Section 25, Township 30 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

(2) Subject to that certain contract of sale in which ROMIE R. ROYSE and JESSIE P. ROYSE, husband and wife, are Vendors, and C. T. HATFIELD and FRED TSCHOPP, JR. are Vendees, dated the 23rd day of January, 1970. Said contract has a balance of \$50,545.51 as of January 1, 1981.

B. Contribution of BREEDLOVE

(1) BREEDLOVE has executed a Promissory Note in the amount of \$78,666.00, dated January 1, 1981. Said note

bears interest at the rate of eight percent (8%) per annum from January 1, 1981. Said sum to be amortized over a 22-year period. Beginning 30 days after the execution of this note, BREEDLOVE began making monthly payments of interest only until January 1, 1983, at the rate of \$524.44 per month. Beginning January 1, 1983, the monthly payments increased to the sum of \$657.93, including interest. Payments shall be amortized over a period of 22 years from January 1, 1981, at which time the entire balance of principal and interest shall then be due and payable. Said note provides that BREEDLOVE will have the right to prepay the note only after January 1, 1986. Said note provides that there will be a penalty for such prepayment equal to the amount of interest which would have accrued between the time of the pre-payment and the end of the 22-year amortization period.

4. Profit and Loss. The net profits of the partnership shall be divided and the net losses of the partnership shall be borne in the following proportions:

C. T. HATFIELD	33 1/3%
FRED TSCHOPP, JR.	33 1/3%
GERALD BREEDLOVE	33 1/3%

No interest or additional share of profits shall inure to any partner by reason of his capital account being proportionately in excess of the capital accounts of the other. The profits and losses of the partnership shall be determined in the manner in which the partnership reports its income and expenses for federal income tax return purposes.

5. Salaries and Drawings. Each of the partners shall receive such compensation for their services to the partnership as will be mutually agreed among them in writing.

6. Management, Duties, and Restrictions. The partners shall have equal rights in the management of the partnership business. No partner shall, without the consent of the other partners, endorse any note, or act as an accommodation party, or otherwise become surety for any person. Without the consent of the other partners, no partner shall on behalf of the partnership borrow or lend money, make, deliver or accept any commercial paper or execute any mortgage, security agreement, bond, or lease, or purchase, or contract to purchase, or sell, or contract to sell, any property for or of the partnership other than the type of property bought and sold in the regular course of its business. No partner shall, except with the consent of the other partners, assign, mortgage, grant a security interest in, or sell his share in the partnership or in its capital asset or property, or enter into any agreement as a result of which any person shall become interested with him in the partnership, or do any acts detrimental to the best interests of the partnership, which would make it impossible to carry on the ordinary business of the partnership.

7. Banking. All funds of the partnership are to be deposited in its name in such checking account or accounts as shall be designated by the managing partners.

8. Books. The partnership books shall be maintained at the principal office of the partnership, and each partner shall at all times have access thereto. The books shall be kept on a cash basis.

9. Death. Upon the death of any partner, the surviving partners shall have the right to either purchase the decedent's entire interest in the partnership or to terminate and liquidate the partnership business. If the surviving partners elect to purchase the decedent's interest, they shall serve notice in writing of such election within three months after the death of the decedent upon the executor or administrator of the decedent, or, if at the time of such election no legal representative has been appointed, upon any one of the known legal heirs of the decedent at the last known address of such heir. If a surviving partner shall not elect to participate in the purchase of the decedent's interest, he shall serve written notice of his intention not to participate upon the other surviving partner at the office of the partnership within one month after the death of the decedent. Such nonparticipation notice shall be deemed to be an irrevocable notice of intention to retire by the nonelecting partner and a tender by him to the other partner of his entire partnership interest which shall be subject to purchase by the other partner upon the same terms and conditions applicable to the interest of the deceased partner.

A. If the surviving partners elect to purchase the decedent's interest in the partnership, the purchase price shall be equal to the decedent's capital account as shown on the partnership books, increased by his share of the partnership profits or decreased by his share of partnership losses for the period from the beginning of the accounting year in which his death occurred until the date of his death, and decreased by withdrawals during such period. No allowance shall be made for goodwill, trade name, patents, or other intangible assets, except as those assets have been reflected on the partnership books immediately prior to the decedent's death. Each of the surviving partners shall have the right to purchase a portion of the decedent's partnership interest in the proportion which his interest in the profits of the partnership bears to the interest of the other surviving partner in the profits of the partnership. The purchase price shall be paid with interest at the rate of six percent per annum in four semi-annual installments beginning six months after the date of death of the decedent. In the event of the purchase of the interest of the decedent, the continuing partnership shall have the right to use the firm name of the partnership.

B. If neither of the surviving partners elects to purchase the decedent's interest in the partnership, the surviving managing partners shall proceed with reasonable promptness to liquidate the business of the partnership. The surviving partners and the estate of the deceased partner shall share in the profits and losses of the business during the period of liquidation in the same proportions in which they shared such profits and losses prior to the death of the decedent, except that the decedent's estate shall not be liable for losses in excess of decedent's interest in the partnership at the time of his death. After the payment of partnership debts, the proceeds of liquidation shall be distributed, as realized, first in discharge of the undrawn partnership profits of the partners, including the undrawn partnership profits of the decedent prior to his death and the undrawn partnership profits of his estate during liquidation, then in such manner as to make the capital accounts of the partners proportionate to the capital accounts in the partnership as at the date of its organization, and then proportionately in discharge of the respective capital accounts.

10. Purchase Price. The purchase price for the real estate shall be determined as follows:

A. If the partners and the legal representative for the estate of the decedent are unable to agree on the fair market value and purchase price within 15 days after the date that partners exercise their option to purchase said interest in the partnership, then 10 days after the expiration of said 15-day period, if a qualified appraiser can be agreed upon, that appraiser shall be appointed to set a fair market value and purchase price on the assets. Such appraiser shall have at least five years' appraisal experience of commercial property in Klamath County, Oregon. All partners shall share equally the cost of such appraiser. If the partners and/or the estate cannot agree on the appraiser within the said 10-day period, each party (within 10 days after the expiration of said 10-day period) shall each appoint an appraiser meeting the qualifications stated, and the appraisers shall meet promptly and attempt to arrive at a fair market value and purchase price. If the appraisers cannot agree in 30 days after the date of appointment of the last appraiser appointed, the appraisers appointed shall attempt to elect another appraiser meeting the qualifications stated within 10 days after the last day the appraisers are given to determine the fair market value and purchase price. If the appointed appraisers are unable to agree on an elected appraiser, any partner and/or the estate may apply to the presiding judge of the Circuit Court of Klamath County for a selection of another appraiser who meets the qualifications above mentioned. Each party shall pay for his own appraiser and share the cost of the elected appraiser. The elected appraiser shall not be a person who has previously acted in any capacity for any party involved. Within 30 days of the election

of the elected appraiser, a majority of the appraisers shall determine the fair market value and purchase price of the assets which shall not be less than the existing assessed value for tax purposes.

B. The amount so determined shall be divided by three, and with respect to the interest of BREEDLOVE, any outstanding balance due the partnership shall be deducted from said amount.

C. The purchase price of the balance of the partnership's assets shall be equal to the decedent's interest therein as shown by his capital account in the partnership books. No allowance shall be made for goodwill, trade name, or intangible assets.

D. The purchase price shall be paid for with interest at the rate of eight percent per annum in quarterly installments beginning six months after the date of the death of decedent.

#### 11. Special Conditions: Default of BREEDLOVE.

A. In the event BREEDLOVE is not delinquent with respect to the payments required by the Promissory Note referred to herein, the provisions of paragraph 10 relating to death shall apply to him.

B. In the event that BREEDLOVE defaults in the payments required by said promissory note, and such default continues after thirty days' notice in writing to BREEDLOVE, BREEDLOVE agrees to convey his interest in the real property to TSCHOPP and HATFIELD. To that effect, BREEDLOVE agrees to execute contemporaneously herewith an assignment of his interest in the real property which is the subject of the partnership. It is agreed that in the event BREEDLOVE shall become in default pursuant to this paragraph that TSCHOPP and HATFIELD may request the escrow holder hereunder, Klamath County Title Company, to record said assignment thereby terminating any interest of BREEDLOVE in said real property. BREEDLOVE agrees to execute any further documents necessary to convey BREEDLOVE'S interest back to TSCHOPP and HATFIELD in the event of such default. In the event BREEDLOVE shall fail to observe or perform any other provisions of this agreement, BREEDLOVE shall be in default and the foregoing shall apply provided that TSCHOPP and HATFIELD provide BREEDLOVE with notice of such default in writing with an opportunity to cure the default within thirty (30) days from the date of such notice.

12. Notice. Any notice under this Agreement shall be in writing and shall be effective when actually delivered or when deposited in the mail, addressed to the parties at the addresses stated in this Agreement, or such other addresses as either party may designate by written notice to the other.

After Oct 31, 1985 any notices should be sent to the following addresses:

FRED TSCHOPP, JR.  
18541 Santa Andrea Street  
Fountain Valley, California 92708

C. T. HATFIELD  
106 S. Williams  
Klamath Falls, OR 97601

GERALD V. BREEDLOVE  
1120 Spring Street  
Klamath Falls, Oregon 97601

13. Costs and Attorneys Fees. In the event suit or action is instituted to enforce any of the terms of this contract, the prevailing party, even though not a party to this contract, shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys fees at trial or on appeal of such suit or action, in addition to all other sums provided by law.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed as of the day and year first above written.

C. T. Hatfield  
C. T. HATFIELD

Fred Tschopp  
FRED TSCHOPP, JR.

Gerald V. Breedlove 10-31-85  
GERALD V. BREEDLOVE

STATE OF Oregon )  
County of Klamath ) ss.

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Personally appeared PRED TSCHOPP, JR. and acknowledged  
the foregoing instrument to be his voluntary act and deed.

BEFORE ME:



Robert D. Brown  
NOTARY PUBLIC FOR Oregon  
My Commission Expires: 10/9/88

STATE OF Oregon )  
County of Klamath ) ss.

Personally appeared C. T. HATFIELD and acknowledged  
the foregoing instrument to be his voluntary act and deed.

BEFORE ME:



Robert D. Brown  
NOTARY PUBLIC FOR Oregon  
My Commission Expires: 10/9/88

STATE OF Oregon )  
County of Klamath ) ss.

Personally appeared GERALD V. BREEDLOVE and acknowledged  
the foregoing instrument to be his voluntary act and deed.

BEFORE ME:



Robert D. Brown  
NOTARY PUBLIC FOR Oregon  
My Commission Expires: 10/9/88

AFTER RECORDING RETURN TO:  
BOIVIN, McCOBB & UERLINGS, P.C.  
110 N. 6th Street  
Klamath Falls, OR 97601

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STATE OF OREGON: COUNTY OF KLAMATH: ss.  
Filed for record at request of \_\_\_\_\_ the \_\_\_\_\_ day  
of January A.D. 19 86 at 4:23 o'clock P M., and duly recorded in Vol. M86  
of Partnerships on Page 390  
FEE \$20.00  
By Evelyn Biehn, County Clerk  
[Signature]