

MTC 33119-KR

AFTER RECORDING, RETURN TO: Old Fort Road Sand & Gravel, Inc.
3427 Washburn Way
Klamath Falls, OR 97603

SEND TAX STATEMENTS TO: Old Fort Road Sand & Gravel, Inc.
3427 Washburn Way
Klamath Falls, OR 97603

DEED

HMR, Inc., Grantor, conveys and specially warrants to OLD FORT ROAD SAND & GRAVEL, INC., Grantee, the real property described on Exhibit A and incorporated herein by this reference, free of encumbrances created or suffered by the Grantor except:

1. Grantor reserves into itself and its successors and assigns in perpetuity 50% of the mineral rights of the subject property. For the purposes of this Deed, the term "mineral rights" includes: oil, gas, precious metals and the commercial development of geothermal energy. "Mineral rights" does not include the removal of gravel, sand, hard rock, or fill material from the subject property. Although Grantor has retained mineral rights, Grantor shall have no right to mine or develop any mineral deposits on the subject property without the express written consent of Grantee or its successors in interest. Grantee shall have no duty to develop any mineral resource on the subject property. In the event that Grantee does mine or otherwise remove minerals to which Grantor has a retained right, then Grantee shall be entitled to retain from the proceeds of the sale of such minerals, an amount equal to Grantee direct costs of exploration, extraction, production, and handling of such minerals, plus an amount equal to 20% of said costs. "Direct costs" do not include any management or supervisory charges, accounting or legal charges, but includes only costs and expenses directly incurred by Grantee in the extraction of said minerals. Direct costs of producing said income shall also no include any depletion allowance or depreciation that may be allowed by the Internal Revenue Code. After Grantee has recovered its said costs and 20% overhead charge, then the balance of the net proceeds shall be distributed 50% to Seller and 50% to Buyer. The said interest retained by Grantor shall extend to all benefits realized by Grantee by virtue of said minerals, including all rents, bonuses, and royalties accruing or to accrue to Grantee from said minerals. Grantor reserves the right to approve the inventory methodology and accounting methodology used by Grantee in computing the amounts due to Grantor by virtue of Grantor's retained mineral right interest. In the event that Grantor disputes Grantee's inventory and accounting methods, then Grantor, at its sole option, may elect to receive 20% of the gross revenues accruing to Grantee from said mineral or mineral rights in lieu of 50% of the net proceeds. All such payments due to Grantor by virtue of its retained mineral interest shall be paid to Grantor monthly, not later than the 20th day of the month following receipt of such revenue by Grantee.

2. The property is classified and specially assessed as farm use land. Grantee shall be responsible for any additional taxes, penalties, or interest resulting from any disqualification of the property from such classification and special assessment.

3. Easements, rights of way, restrictions and agreements of record and those apparent on the land.

The true consideration paid for this conveyance is THREE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$325,000).

This instrument will not allow use of the property described in this instrument in violation of applicable land use laws and regulations. Before signing or accepting this instrument, the person acquiring fee title to the property should check with the appropriate city or county planning department to verify approved uses and to determine any limits on lawsuits against farming or forest practices as defined in ORS 30.930.

Dated this 4th day of November, 1994.

HMR, Inc.

By: T. D. Shaw
President

By: Joanna E. Spies
Secretary

STATE OF OREGON, County of Klamath) ss

This instrument was acknowledged before me on November 4, 1994, by
T. D. Shaw, President of HMR, Inc. and
Joanna E. Spies, Secretary of HMR, Inc.

Tim M. Ray
Notary Public for Oregon
My Commission Expires: 4-6-97

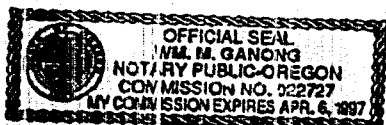


EXHIBIT "A"
LEGAL DESCRIPTION

Parcel 3-A of LP 26-94, Klamath County Records, also described as follows:

Beginning at a 5/8 inch iron rod that marks the Northwest corner of the Southwest one-quarter (SW1/4) Northwest one-quarter (NW1/4), Section 23, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, thence South 89 degrees 45' 58" East along the North line of said SW1/4 NW1/4 a distance of 792.44 feet to a 5/8 inch iron rod, thence South 0 degrees 34' 57" East a distance of 2989.51 feet to a 5/8 inch iron rod, thence West a distance of 2181.70 feet to a 5/8 inch iron rod located on the West line of East one-half (E1/2) East one-half (E1/2) of Section 22 said Township and Range, thence North 0 degrees 06' 13" East along said West line a distance of 1686.64 feet to a 5/8 inch iron rod that marks the Northwest corner of the Northeast one-quarter (NE1/4) Southeast one-quarter (SE1/4) said Section 22, thence North 0 degrees 08' 32" East continuing along said West line a distance of 1312.90 feet to a 5/8 inch iron rod that marks the Northwest corner of the Southeast one-quarter (SE1/4) Northeast one-quarter (NE1/4) said Section 22, thence South 89 degrees 41' 51" East along the North line of said SE1/4 NE1/4 a distance of 1352.54 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co the 29th day
of Nov A.D., 19 94 at 3:03 o'clock P. M., and duly recorded in Vol. M94
of Deeds on Page 36357.

FEE \$35.00

Evelyn Biehn, County Clerk

By Shelene MacLennan