

ARTICLES OF CO-PARTNERSHIP

THESE ARTICLES OF CO-PARTNERSHIP made and entered into this 2nd day of January, 1973, by and between THOMAS H. GALLAGHER and DOROTHY S. GALLAGHER, his wife, First Parties; CHARLES DAMELE and R. D. DAMELE, Second Parties; and G. W. GARRETT, Third Party;

W I T N E S S E T H:

In consideration of the mutual promises and covenants of the parties hereinafter contained the parties do hereby agree to associate themselves as co-partners for the purpose of conducting a ranching and livestock operation in the State of Nevada. Said partnership shall be conducted, handled, managed and operated upon the terms appearing hereinafter.

1. PLACE OF BUSINESS AND FIRM NAME: The principal place of business shall be in the County of Eureka, State of Nevada. The firm name of said business shall be DIAMOND LAND AND CATTLE and the parties will in accordance with the laws of the State of Nevada file a certificate for doing business under a fictitious name with the County Clerk in and for the Counties of Elko and Eureka. It is further understood that the parties may change or alter the said firm name should it hereinafter become advantageous or proper for them to do so.

It is understood that the Second Parties are contributing certain construction equipment to the partnership and that it is the intention of the partnership to perform for profit, construction work as previously done by the Second Parties. The parties hereto

desire to continue the name of "DAMELE BROTHERS" for the construction company. The parties agree that DIAMOND LAND AND CATTLE will in accordance with the laws of the State of Nevada, file a certificate for doing business under a fictitious name with the County Clerk in and for the Counties of Elko and Eureka, showing that the partnership is doing business under the fictitious name of "DAMELE BROTHERS." The parties further agree that they will apply for a Nevada State Contractors License as required by law.

2. CONTRIBUTIONS OF THE PARTIES AND PARTNERSHIP CAPITAL:

The First Parties shall contribute all of their right, title and interest in and to the real and personal property commonly designated as the Damele Ranch in Eureka County, Nevada, and Liberty Livestock located in Diamond Valley, Eureka County, Nevada.

The Second Parties shall contribute all of their construction equipment with a fair market value of ONE HUNDRED THOUSAND DOLLARS, (\$100,000.00), and shall contribute an additional sum of ONE HUNDRED THOUSAND DOLLARS, (\$100,000.00), in the form of a reduction in the partnership obligation to CHARLES and JUANITA DAMELE of ONE HUNDRED THOUSAND DOLLARS, (\$100,000.00). Said obligation of the partnership to CHARLES and JUANITA DAMELE is in the form of a partnership note in the principal sum of ONE HUNDRED, EIGHTY NINE THOUSAND, FIVE HUNDRED FIFTY NINE DOLLARS and 74/100 CENTS, (\$189,559.74), dated January 2, 1973. The mechanics of the reduction shall show an assignment of the last ONE HUNDRED THOUSAND DOLLARS, (\$100,000.00), due under the terms of the note to G. W. GARRETT plus the interest due on the \$100,000.00 accruing from January 2, 1973, and the final principal payment of \$100,000.00

shall be paid to G. W. GARRETT. DAMELE's will continue to receive payments on the \$89,559.74 pursuant to the same payment schedule as set forth in said Promissory Note.

The Third Party will contribute cattle.

It is understood that all of the assets contributed by the various parties have obligations against said assets and it is agreed and understood that the partnership will assume all of the obligations of the First Parties against the said Damele Ranch and the Liberty Livestock Ranch as above set forth, and the partnership will assume the obligation of the Third Party with Producers Livestock Loan Company against the cattle being contributed by him, and the obligation of the Second Party to SECURITY NATIONAL BANK.

It is understood that the interest of the partners in the partnership shall be as follows:

- A. First Parties FORTY PER CENT, (40%)
- B. Second Parties FORTY PER CENT, (40%)
- C. Third Party TWENTY PER CENT, (20%)

3. TERM: This partnership shall commence on the 2nd day of January, 1973, and shall continue thereafter until dissolved by the parties.

4. OWNERSHIP OF PROPERTY: All of the property of the partnership whether the same be real, personal or mixed or tangible and intangible, shall be held by all parties as tenants in co-partnership in the following percentages:

- A. First Parties FORTY PER CENT, (40%)
- B. Second Parties FORTY PER CENT, (40%)
- C. Third Party TWENTY PER CENT, (20%)

If any additional properties other than those contributed as set out above shall be purchased from partnership funds and credits, then all of such after acquired property shall also be held by the partners in the percentages as above set forth.

5. INCOME, PROFITS, LOSSES AND SALARIES: The income of the partnership business shall consist of all income from the sale of partnership assets primarily being the sale of livestock and construction work.

All profits of the partnership and all losses of the partnership shall be borne by the parties in the following percentages:

- A. First Parties FORTY PER CENT, (40%)
- B. Second Parties FORTY PER CENT, (40%)
- C. Third Party TENTY PER CENT, (20%)

In determining profits and losses it is understood that the First Parties, THOMAS H. GALLAGHER and DOROTHY S. GALLAGHER, and the Second Parties, CHARLES DAMELE and R. D. DAMELE are to be allowed a salary of ONE THOUSAND DOLLARS, (\$1,000.00) per month. In the event that the partnership is unable to pay these said ONE THOUSAND DOLLARS (\$1,000.00) monthly salaries as above set forth, then the parties shall receive such a monthly sum as is reasonable with regard to the partnerships financial condition.

It is understood and agreed that at the time of complete sale of all partnership assets each of the three partners agrees out of the total profit to report his or their income which is computed as the difference between the fair market value at date of contribution to the partnership and the tax basis at the date of contribution to the partnership. Any gain over and above the fair market value of the contributions at the date of contribution shall

be divided in the same manner and percentages as profit and loss as above set forth. The purpose of the above is to adjust for the inequality of the tax basis of the contributions of each of the parties.

6. DEATH OF A PARTNER: The First Parties represent that each of them has executed a Last Will and Testament providing that his or her share of the partnership shall, upon the death of either one, pass into a testamentary trust and will remain a part of the partnership to the end that said partnership will not be dissolved. It is further represented by the First Parties that said trust created by each of their Wills will remain in effect until their youngest son, FRANK SHORT GALLAGHER, achieves the age of 35 years, unless the properties comprising the partnership are sold or the partnership is dissolved.

The First Parties further represent that it is their intention to appoint the survivor of them as trustee for the decedents share and upon the death of the survivor of them or in the event of the simultaneous death of the First Parties, G. W. GARRETT, GEORGE L. SMITH and CHARLES B. EVANS, JR., will be appointed as Co-trustees for the respective shares of the First Parties in the co-partnership. Said Co-trustees shall have the right and power to participate in the partnership to the same extent as either or both of the First Parties could in the event they were still alive.

The Second and Third Parties hereby agree to the manner of handling the share of the partnership owned by the First Parties as above set forth and the First Parties agree that they will be bound by their representations as above set forth.

The partnership shall not be dissolved upon the death of one of the Second Parties but the same shall be deemed to continue

and the surviving Second Party shall succeed to the interest of the deceased Second Party. It is understood that the Second Parties are entering into separate agreements providing for the purchase of the interest of the deceased Second Party in the partnership. In the event of the simultaneous death of both of the Second Parties or upon the death of the survivor of them, the First Parties and Third Party shall be vested with all of the partnership property of any name or nature subject to the surviving partners within a reasonable time after the death of the Second Parties or the survivor of them, it being understood that reference to the Second Parties hereinafter shall apply to both of the Second Parties in the event of the simultaneous death of both or to the survivor of them in the event there is not a simultaneous death, submitting a full and complete accounting to the Executor or Administrator the value of the Second Party's interest as determined. The partnership shall not be dissolved upon the death of the Second Party, but the same shall be deemed to continue until the interest of the Second Party is fully liquidated. The estate of the surviving Second Party or his executor, administrator, heirs or other representatives shall not be entitled to share in the profits of the partnership after date of death. The provision hereinafter contained for the payment of the interest of the deceased Second Party's share of the partnership being in lieu of profits. The value of the Second Party's interest in the partnership shall be determined by an appraisal made as of the date of death of the Second Party. The Executor or Administrator, heirs, or other representatives of the Second Party shall appoint an appraiser. The First Parties and Third Party shall appoint an appraiser, and the two appraisers thus appointed shall choose a

third appraiser. The parties agree to be bound by the appraisal thus prepared and submitted. After the appraisal as thus determined, the First Parties and the Third Party shall be allowed four months in which to exercise their option to purchase the interest of the Second Party. The First Parties and the Third Party shall not be required to make payments up to five years from the date of this agreement. No interest will accumulate during this five year period. After five years from the date hereof the First Parties and Third Party shall be allowed twenty (20) years in which to pay the Second Party and shall make annual installments plus interest at the rate of five (5%) per cent per annum to accrue from a date five years from the date of this agreement or from the exercise of the option to purchase whichever date is later, until the total purchase price has been paid in full. The surviving partners shall be allowed to prepay any of the purchase price due at any time after the option to purchase has been exercised without penalty. Any additional payments shall not accrue or be a part of any of the annual payments to be made. The first payment shall commence five years from the date of this agreement or one year from the date of exercise of the option, whichever period is the greater.

In the event of the death of the Third Party, the First Parties and the Second Parties shall be vested with all of the partnership property of any name or nature subject to the same terms and conditions as is set forth in the event of death of both of the Second Parties.

In the case of the death of the First Parties, the Second Parties or the Third Party, the value of the deceased partners interest or decedents interest would be reduced by an amount equal

to the additional tax cost computed at that time of the unrecognized gain on the property contributed by the decedents. The unrecognized gain is the difference between the fair market value of the contributions of the parties at the date of contribution and the basis at the date of contribution.

7. ATTENTION TO BUSINESS: The Second Parties agree to devote their full time to the business of this partnership.

It is understood that the First Party, DOROTHY S. GALLAGHER, and the Third Party, G. W. GARRETT, will devote such of their time as is necessary to handle the business and financial affairs of the partnership. The First Party, THOMAS H. GALLAGHER, will devote to the partnership such work and skill as his time will permit.

All partners are working for the best interests of the partnership and all agree that all of their actions shall be prudent and in the best interests of the partnership.

8. A DEPOSITORY BANK: All monies belonging to the partnership, or received by the partners on account thereof, shall be received, and deposited forthwith in SECURITY NATIONAL BANK OF NEVADA, Elko Branch, Elko, Nevada to the credit of the partnership commercial account of such bank, except the proceeds of the sales of livestock which are required to be paid directly to Producers Livestock Loan Company. The partners may from time to time create such additional accounts as they may deem necessary or advisable for their business.

9. ACCOUNTS AND BOOKS OF ACCOUNT: Proper books of account shall be kept by the partners or by a duly employed accountant for the partnership on behalf of the partnership. Such books

shall contain all such matters, transactions and things as are usually entered in books of account, kept by persons engaged in a like business, with particular reference to existing tax laws pertaining to partnerships and individuals associated in partnerships. Such books shall be open to inspection by all of the parties hereto at all times. Accountings may be had at any time and particularly a full accounting shall be made at the end of each year, which may then be done conveniently with respect to preparation of income tax reports and returns. Such accountings shall, upon approval, be signed by the partners, and they shall become, thereafter, binding and conclusive and not subject to be thereafter reopened, save and except for actual fraud.

10. PARTNERS PRIVATE DEBTS: Each party shall punctually pay all of his own private debts and obligations and each agrees to indemnify the other and the partnership in the event any of such private debts or obligations shall be paid by the other partner or partnership together with all expense on account thereof.

11. LIMITATIONS ON PARTNERS: No partner without the consent of the other partners shall:

- A. Either directly or indirectly or separately engage in in any other business.
- B. Borrow money in the firm name for firm purposes or utilize collateral owned by the partnership as security for such loans.
- C. Assign, transfer, pledge, compromise or release any of the claims or debts due to the partnership except on payment in full, or arbitrate or consent to the arbitration of any dispute or controversy of the partnership.
- D. Make, execute or deliver any assignment for the benefit of creditors; any bond, confession of

judgment, guaranty, indemnity bond, or surety bond; or any contract to sell, bill of sale, deed, mortgage, deed of trust, security agreement or lease relating to any part of the firm assets for a partners interest therein.

E. Make any purchase in excess of \$5,000.00.

F. Endorse or accept any bill of exchange or promissory note, lend any money of the partnership or otherwise giving credit to any person or persons objectionable to the other partners, except employee advances.

12. VOLUNTARY WITHDRAWAL OF PARTNER: It is agreed by all of the partners hereto that it will be impossible for any of the partners to buy out any of the other partners for a period of five years. Because of this fact the partners agree that they will not withdraw their interest in the partnership nor offer it for sale pursuant to the terms of this paragraph until after January 1, 1978. After January 1, 1978, a partner desiring to withdraw from the partnership must offer his interest to the remaining partners who shall have four months in which to exercise their option to purchase. If said option is exercised, the partner so exercising their option to purchase, shall purchase the interest of the retiring partner upon the same terms and conditions as set forth in Paragraph 6 above upon the death of the Second Parties or Third Party. It is understood, however, if one of the Second Parties should choose to withdraw from the partnership the remaining Second Party shall have two months in which to purchase the retiring Second Party's interest, but if the remaining Second Party should not exercise his option to purchase within two months, the remaining partners may have two months in which to exercise their option to purchase. The remaining terms and conditions for the purchase of the interest of one of the Second Parties should be the same as the purchase

of the interest of any other retiring partner.

In case of the voluntary withdrawal of a partner the value of the withdrawing partner's interest will be reduced by an amount equal to the additional tax cost computed at the time of the unrecognized gain on the property contributed by the withdrawing partner. The unrecognized gain is the difference between the fair market value of the contribution of the withdrawing partner at the date of contribution and the basis at the date of contribution.

13. VACATIONS: Second Parties shall be allowed an annual vacation of two weeks each.

All vacations above authorized shall be without any deductions from salary or net profits of the Parties.

For the purpose of this paragraph, the salaries of the parties shall be as set forth in paragraph five hereof, and in the event a partner is to be penalized under the terms of this paragraph while on unauthorized absence from the business such penalties shall be assessed by reducing the next ensuing salary drawing of the said partner according to the length of absence while crediting the partners capital account just as though he had been paid his monthly salary as usual.

14. POLICY, MANAGEMENT AND AMENDMENT OF THESE ARTICLES OF CO-PARTNERSHIP:

All functions of management and all policy decision or decisions of any name or nature shall be jointly made by the partners. A decision once made by the partners shall thereafter be binding upon them and not subject to change by the unilateral actions of one partner. These Articles of Co-Partnership may be amended at any time by the action and agreement of all partners. The partners

agree that they will hold a formal meeting at least once per month to review the business of the partnership and make and resolve all questions of management of the partnership.

All obligations of the partnership as received will be reviewed by the partners before payment or at least all partners will have had notice of his or her right to attend a meeting to review said obligations.

All potential sales of livestock will be discussed by all of the partners prior to a decision regarding the sale thereof unless a partner fails to appear after a notice thereof in which event the decision of the partners making such decision will be binding.

15. EXPENSES OF PARTNERS: It is understood and acknowledged that each partner will have certain items of expense attributable to the partnership. The partnership shall be obligated to reimburse each partner for such expenses incurred by the partner on behalf of the partners. The partners shall be entitled to receive such reimbursement from the partnership upon their submitting vouchers to the partnership setting out such expenditures, and upon such vouchers being approved by the other partners, and such approval shall not be unreasonably withheld.

16. DEFAULT AND VIOLATION OF TERMS: If any of the partners hereto shall default in any of the terms of this agreement and if said default is not corrected within SIXTY DAYS (60) after notice thereof, then the defaulting partner shall be deemed to have offered his interest in the partnership to the remaining partners upon the same terms and conditions as is set forth for a voluntary withdrawal of a partner in paragraph 12 hereof.

17. RETENTION OF FIRM NAME: Upon the dissolution of the partnership for any reason whatsoever, it is agreed that the parties retaining control of the partnership business may continue the name DIAMOND LAND & CATTLE.

18. OPERATION OF CONSTRUCTION COMPANY: It is understood that the partnership will apply for a Nevada State Contractors License to perform the same type of construction work as now performed by DAMELE BROTHERS and it is agreed that the partnership insofar as it is able to do so will do business under the fictitious name of DAMELE BROTHERS and the Second Parties hereto do hereby agree to allow the partnership the right to conduct business under the name of DAMELE BROTHERS insofar as their construction work is concerned.

19. TRAVELERS INSURANCE COMPANY LOAN: It is understood and agreed that after the formation of this partnership it is the understanding of the partners that the partnership and the individuals thereof will borrow from TRAVELERS LIFE INSURANCE COMPANY a loan in the amount of ONE MILLION DOLLARS, (\$1,000,000.00), which money will be used to pay off debts of the partnership assumed herein. It is further understood that as a result of said loan various of the obligations being assumed by the partnership will have to be changed in priority in form to abide by the requirements of TRAVELERS INSURANCE COMPANY. It is understood that all of the parties hereto will, insofar as they are individually capable and as a partnership as created herein, do everything within their power to consummate the said loan with TRAVELERS INSURANCE COMPANY and to do all things necessary to execute documents necessary to satisfy junior lien holders.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the day and year first hereinabove written.

Thomas H. Gallagher
THOMAS H. GALLAGHER

Dorothy S. Gallagher
DOROTHY S. GALLAGHER

First Parties

Charles Damele
CHARLES DAMELE

R. D. Damele
R. D. DAMELE

Second Parties

G. W. Garrett
G. W. GARRETT

Third Party

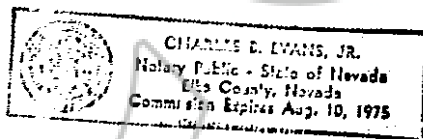
STATE OF NEVADA)

SS

COUNTY OF ELKO)

On this 2nd day of January, 1973, personally appeared before me, a Notary Public, THOMAS H. GALLAGHER and DOROTHY S. GALLAGHER, who acknowledged that they executed the foregoing instrument.

Charles D. Evans, Jr.
NOTARY PUBLIC



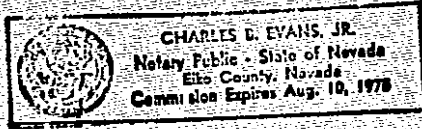
STATE OF NEVADA)

SS

COUNTY OF ELKO)

On this 2nd day of January, 1973, personally appeared before me, a Notary Public, CHARLES DAMELE and R. D. DAMELE, who acknowledged that they executed the foregoing instrument.


NOTARY PUBLIC



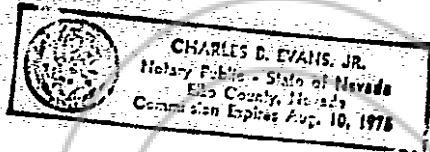
STATE OF NEVADA)

SS

COUNTY OF ELKO)

On this 2nd day of January, 1973, personally appeared before me, a Notary Public, G. W. GARRETT, who acknowledged that he executed the foregoing instrument.


NOTARY PUBLIC



COMES NOW PATRICIA S. DAMELE, wife of Second Party
CHARLES DAMELE; ARLENE DAMELE, wife of Second Party R. D.
DAMELE; and CHRISTINE F. GARRETT, wife of Third Party G. W. GARRETT,
who, each for herself, does hereby acknowledge that she has read the
foregoing Articles of Co-Partnership, and is familiar therewith and
the entire transaction therein agreed to and contemplated and that
she does, in considering her rights as a spouse and with particular
respect in having in mind her rights and privileges in regard
to community property between herself and her said husband, con-
sents to all of the terms hereof, and she does hereby waive any
right to now or hereafter avoid or attempt to avoid, cancel or
rescind this agreement or any documents or papers or other agree-
ments contemplated or made necessary hereby, and that she does
hereby acknowledge, understand and agree that this consent, waiver
and agreement on her part is made for valuable considerations accruing
to her by reason of said agreement and matters made by the respec-
tive spouses of each of the undersigned.

EXECUTED as of the 2 day of January, 1973.

Patricia S. Damele
WIFE OF SECOND PARTY CHARLES DAMELE

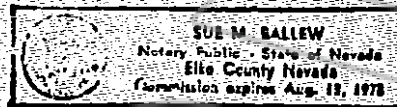
Arlene Damele
WIFE OF SECOND PARTY R. D. DAMELE

Christine F. Garrett
WIFE OF THIRD PARTY G. W. GARRETT

STATE OF NEVADA)
) SS.
COUNTY OF ELKO)

On this 2 day of January, 1973, personally
appeared before me, a Notary Public, PATRICIA S. DAMELE
and ARLENE DAMELE, who acknowledged to me that they
executed the foregoing instrument.

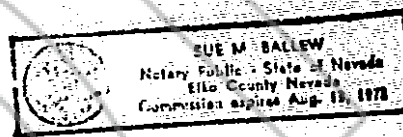

NOTARY PUBLIC



STATE OF NEVADA)
) SS.
COUNTY OF ELKO)

On this 2 day of January, 1973, personally
appeared before me, a Notary Public, CHRISTINE F. GARRETT,
who acknowledged to me that she executed the foregoing instrument.


NOTARY PUBLIC



First American Title Co.
RECORDED AT THE REQUEST OF of Nevada
on January 27, 19 76, at 07 min. past 3 P. M. In
Book 53 of OFFICIAL RECORDS, page 480-496, RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI, Recorder
File No. 60837 Fee \$ 19.00

LAW OFFICES
EVANS & BILYEU
PROFESSIONAL CENTER
ELKO, NEVADA 89601

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