

LIMITED PARTNERSHIP AGREEMENT OF  
T LAZY S FARMS

THIS LIMITED PARTNERSHIP AGREEMENT is executed this 27<sup>th</sup> day of July, 1976, by T LAZY S RANCH, a general partnership, as general partner, and CLARENCE L. PRICE, TRUSTEE U/A 4-30-62, FBO CHARLES B. THORNTON, JR., and CLARENCE L. PRICE, TRUSTEE U/A 4-30-62, FBO WILLIAM L. THORNTON, as limited partners.

ARTICLE I

Formation of Limited Partnership;

T Lazy S Farms; in County of Eureka, State of Nevada

Section 1.1 Formation

The partners hereby form a limited partnership pursuant to the provisions of Nevada Revised Statutes, Section 88.010 et seq. The partners shall execute and cause to be filed, published, or both:

- a. A Certificate of Limited Partnership as required by Nevada Revised Statutes, Section 88.030.
- b. A Certificate of Fictitious Name.

Section 1.2 Name

The partnership shall operate under the name of T LAZY S FARMS.

Section 1.3 Principal Place of Business

The principal place of business of the partners shall be in the County of Eureka, State of Nevada. The business of the partnership may also be conducted at such other or additional

place or places as may be designated by the general partner.

## ARTICLE II

### Purposes of the Partnership

The partnership shall perform farming operations as owner, or by way of lease or shares, and conduct such other businesses as may be decided from time to time.

## ARTICLE III

### Term of the Partnership

The partnership shall commence as of the date of this agreement and shall continue until January 1, 2026 unless it is terminated earlier as herein provided.

## ARTICLE IV

### Accounting for the Partnership

#### Section 4.1 Method of Accounting

The partnership shall keep its accounting records and shall report for income tax purposes on the cash basis.

#### Section 4.2 Annual Statements

The general partner shall cause annual financial statements of the operations of the partnership to be prepared. They shall include a balance sheet, statement of operations, and such supporting statements as the general partner deems relevant.

#### Section 4.3 Access to Accounting Records

Any limited partner shall have reasonable access to the accounting records of the partnership during regular business hours of the partnership.

#### Section 4.4 Income Tax Information

The general partner shall provide to each limited partner information on the partnership's taxable income or loss and each class of income, gain, loss, or deduction that is relevant to reporting partnership income. The information shall also show each partner's distributive share of each class of income, gain, loss, or deduction. This information shall be furnished to the limited partners as soon as possible after the close of the partnership's taxable year.

### ARTICLE V

#### Capital Contributions

##### Section 5.1 Initial Capital Contributions

- a. The initial capital contribution of the general partner shall be an amount equal to its cost participation in two wells for \$19,444.41.
- b. The initial capital contributions of the limited partners shall be the cost basis as it pertains to each trust interest for the land which is described in Schedule A, attached. The amounts for each trust are:

Clarence L. Price, Trustee  
U/A 4-30-62, FBO Charles B.  
Thornton, Jr. \$86,400.00

Clarence L. Price, Trustee  
U/A 4-30-62, FBO William L.  
Thornton \$38,880.00

##### Section 5.2 Minimum Capital Account Balances

The capital account balance of the general partner shall not be less than \$5,000. There is no minimum capital account balance requirement for limited partners.

### Section 5.3 Distribution of Partnership Profits

Profits of the partnership shall be distributed to the partners in the discretion of the general partner. Distribution of the profits shall be made to the partners in the proportions of their interest in the profits as specified in Article VII, Profits or Losses, except as provided in Section 5.2 above.

### Section 5.4 Depreciation

The partners agree that depreciation on the property interest contributed by the general partner shall be allocated among the partners in the proportions of their interest in profits or losses of the partnership, as specified in Article VII, Profits or Losses. Allocation shall be made in the same manner as if the property had been purchased by the partnership at a price equal to its adjusted basis for income tax purposes.

## ARTICLE VI

### Capital Accounts; Drawing Accounts

#### Section 6.1 Capital Accounts

An individual capital account shall be maintained for each partner. The capital interest of each partner shall consist of his original contribution, increased by (1) his additional contributions to capital and (2) his share of partnership profits, if transferred from his drawing account, and decreased by (1) distributions to him in reduction of his partnership capital and (2) his share of partnership losses, if transferred from his drawing account.

#### Section 6.2 Drawing Accounts

An individual drawing account shall be maintained for each

partner. All withdrawals made by a partner shall be charged to his drawing account. Each partner's share of profits and losses shall be credited or charged to his drawing account.

A balance of a partner's drawing account in his favor (a credit balance) shall constitute a liability to that partner; it shall not constitute a part of his capital account or his interest in the capital of the partnership. If, after the net profit or loss of the partnership for the fiscal year has been determined, a partner's drawing account shows a deficit (a debit balance), whether occasioned by drawings in excess of his share of partnership profits or by charging him for his share of a partnership loss, the deficit shall constitute an obligation of that partner to the partnership and shall not reduce his capital account or his interest in the capital of the partnership.

Payment of any amount owing to the partnership shall be made in a manner and time determined by a majority in interest of the partners. The general and limited partners may determine by vote of a majority in interest to transfer any portion of profit or loss to the partners' capital accounts at any time, provided the transfers are made proportionately to each partner's interest in capital.

#### ARTICLE VII

##### Profits or Losses

All profits or losses from normal operations of the partnership shall be shared as follows:

20 percent to the general partner.

The balance of 80 percent to be allocated among the limited



partners in the proportions of their capital interests in the partnership. If there are changes in the relative capital interests of the partners during any fiscal year of the partnership, the allocation of the 80 percent of partnership profits shall be in the proportions of the partners' average capital interests during the fiscal year.

Gain or loss on disposition of partnership properties in the process of liquidation shall be credited or charged to the partners as provided in Article XIV, Dissolution and Termination of the Partnership.

#### ARTICLE VIII

##### Administrative Provisions

##### Section 8.1 Management

The business of the partnership shall be under the exclusive management of the general partner. The limited partners shall not participate in the management of the business of the partnership.

##### Section 8.2 Time Devoted by General Partner

The parties understand that the general partner has other business activities which, over the year, take the major part of his total time devoted to business matters. Accordingly, the general partner is required to devote to the business of the partnership only the time and attention as he in his sole discretion shall feel is required.

##### Section 8.3 Loans to the Partnership

It is anticipated that the partnership will borrow money

from time to time. The general partner is granted the specific authority to borrow money for partnership purposes and to secure any such loan with a mortgage on the partnership's real property. However, any loan on the partnership property shall impose no personal liability on any limited partner.

#### ARTICLE IX

##### Payments to General Partner

No payments shall be paid to the general partner for services rendered by him to the partnership except as provided in Article VII, Profits or Losses.

#### ARTICLE X

##### Withdrawal or Retirement of a Partner

##### Section 10.1 Withdrawal of the General Partner

If the general partner withdraws or becomes bankrupt, the partnership shall dissolve. The partnership shall thereafter conduct only activities necessary to wind up its affairs, unless within ninety (90) days after one of the listed events all the partners elect in writing to continue the partnership. If an election to continue the partnership is made, then

- a. A successor general partner shall be selected.
- b. The partnership shall continue until the end of the term for which it is formed or until the subsequent death, withdrawal, incapacity, or bankruptcy of the general partner, in which event all the partners shall again elect whether they wish to continue the partnership operations.

- c. The incapacitated, withdrawn, or bankrupt general partner or the successor in interest of the deceased general partner shall become a limited partner with the same share of profits or losses of the partnership as before the event and shall have all the rights of a limited partner.
- d. All necessary steps shall be taken to amend the Certificate of Limited Partnership and the Certificate of Fictitious Name.

For the purposes of this section, a general partner shall be deemed to be incapacitated if he is disabled and unable to take an active part in the management of the partnership business for a continuous period of at least six (6) months. For the purposes of this section, the bankruptcy of a general partner shall be deemed to have occurred when he is adjudicated a bankrupt under federal bankruptcy law or has executed and delivered an assignment for the benefit of his creditors.

Section 10.2 Retirement of a Limited Partner

A limited partner may retire from the partnership after giving three (3) months' written notice of his intention to retire.

Section 10.3 Effect of Retirement

The partnership shall not be dissolved by the retirement of a limited partner.

Section 10.4 Continuation of the Partnership

The remaining partners shall have the right to continue the partnership business under its present name following the retirement of a limited partner, provided they cause the partnership



to retire the interest of the retiring limited partner and to make the payments specified in Article XIII, Valuation of the Interest of a Retiring Limited Partner. The election to purchase the interest of the retiring partner shall be exercised by written notice delivered within three (3) months after the effective date of retirement. The notice may be delivered in person or may be mailed by registered or certified mail to the last known address of the retiring partner.

Section 10.5 Winding Up the Partnership

If the partners so elect, the partnership shall be wound up and all of its property distributed in liquidation as provided in Article XIV, Dissolution and Termination of the Partnership.

ARTICLE XI

Death of a Limited Partner

Section 11.1 Effect of Death of a Limited Partner

The partnership shall not be dissolved by the death of a limited partner.

Section 11.2 Successor of a Deceased Limited Partner

The successors in interest of a deceased limited partner, i.e., his heirs at law or those persons taking under his will, shall have all the rights and privileges of a limited partner.

ARTICLE XII

Sale or Assignment of a Partnership Interest

Section 12.1 Sale of Interest of the General Partner

The general partner may not sell or transfer all or any part of his interest in the partnership, except with the written

consent of limited partners having a total interest in capital in excess of 50 percent of the total interest in capital of all limited partners.

Section 12.2 Sale of Interest of a Limited Partner

A limited partner may sell his partnership interest to a general or limited partner. A limited partner may not sell, assign or otherwise transfer all or any part of his partnership interest to a person who is not already a member of the partnership, unless he first gives written notice to the partnership of the proposed sale. Said written notice shall be delivered to the partnership at least thirty (30) days prior to the date of the proposed sale or assignment and the notice shall contain the name, address and business of the proposed buyer or assignee, the price to be paid for the partnership interest and the terms of payment.

Section 12.3 Option of Partnership to Treat Notice of Proposed Sale as a Notice of Retirement

The partnership shall have the option, exercisable by written communication, delivered within thirty (30) days after receiving the notice under Section 12.2, to the limited partner who gives such notice to treat such notice as a voluntary retirement by the limited partner who indicated his desire to sell or assign his partnership interest. The payments in liquidation of such partner's interest shall be made pursuant to Article XIII, Valuation of the Interest of a Retiring Limited Partner.

Section 12.4 Rights of Assignee of a Partnership Interest

If an interest in the partnership is sold or assigned, or passes by operation of law, it shall not confer upon the purchaser

or assignee the rights and privileges of a partner. The purchaser or assignee shall not be entitled to interfere in the management or the administration of the partnership business or affairs or to require any information or account of partnership transactions, or to inspect the partnership's books. The purchaser or assignee of a partnership interest shall merely be entitled to receive, as provided in Nevada Revised Statutes, Section 88.200, in accordance with his contract, the profits to which the assigning partner would otherwise be entitled. The partnership has the option to retire the interest of the purchaser or assignee under the provisions of Article XIII, Valuation of the Interest of a Retiring Limited Partner. The amount owing to the purchaser or assignee under this election by the partnership shall be paid within one hundred twenty (120) days after notice of the sale or assignment by the limited partner is received by the partnership.

#### ARTICLE XIII

##### Valuation of the Interest of a Retiring Limited Partner

#### Section 13.1 Valuation

The value of a retiring limited partner's interest in partnership property shall be the sum of his capital account and his proportionate share of accrued net income of the partnership to the date of his retirement.

#### Section 13.2 Book Values to be Used

All partnership assets shall be valued at book value determined in accordance with the accounting records maintained by the partnership for Federal income tax purposes. No value shall be attributed to leasehold interest, goodwill, going concern,

or similar intangibles.

Section 13.3 Balance in Drawing Account

The balance in the drawing account of a retiring limited partner shall be treated as an obligation of the partnership to the limited partner or an obligation of the limited partner to the partnership. Any amount owed, whether to the limited partner or to the partnership, as reflected in the drawing account of a retiring limited partner shall be paid within ninety (90) days after the retirement of the limited partner.

Section 13.4 Expeditious Determination of Valuation

The continuing partners agree that they will proceed as expeditiously as possible in determining the value of the interest of the retiring limited partner.

Section 13.5 Terms of Payment to a Retiring Partner

If a limited partner retires, an amount equal to the value of his interest in the partnership as determined herein shall be paid within six (6) months after the date of his death or retirement.

ARTICLE XIV

Dissolution and Termination of the Partnership

Section 14.1 Right to Dissolve the Partnership

Except as provided in Section 10.1, no partner shall have the right to cause dissolution of the partnership before the expiration of the term for which it is formed.

Section 14.2 Winding up the Partnership

In the event of a voluntary dissolution or the death, incapacity, withdrawal, or bankruptcy of the general partner which



is not followed by the exercise of the election of the partners to continue the partnership pursuant to Section 10.1, the partnership shall immediately commence to wind up its affairs. The partners shall continue to share profits or losses from normal operations during liquidation in the same proportions as before dissolution. Except as provided in Section 14.3 below, the proceeds from liquidation of partnership assets shall be applied as follows:

- a. Payment to creditors of the partnership, other than partners, in the order of priority provided by law.
- b. Payment to partners for loans made by them to the partnership.
- c. Payment to the limited partners of the credit balances in their capital accounts.
- d. Payment to the general partner of the credit balances in his capital account.

Section 14.3 Gains or Losses in Process of Liquidation

Any gain or loss on disposition of partnership properties in the process of liquidation shall be credited or charged only to the limited partners in the proportions of their interests in profits or losses as specified in Article VII, Profits or Losses. Any property distributed in kind in the liquidation shall be valued and treated as though the property were sold and the cash proceeds were distributed. The difference between the value of property distributed in kind and its book value shall be treated as a gain or loss on sale of the property and shall be credited or charged to the partners in the proportions of their interests in profits or losses as specified in Article



VII. Profits or Losses. The general partner shall participate in profits or losses only from normal operations during liquidation.

Section 14.4 Waiver of Right to Court Decree of Dissolution

The partners agree that irreparable damage would be done to the goodwill and reputation of the firm if any partner should bring an action in court to dissolve this partnership. Care has been taken in this partnership agreement to provide what the parties feel are fair and just payments to be made to a partner whose relation with the firm is terminated for any reason. Accordingly, each of the partners accepts the provisions under this partnership agreement as his sole entitlement on termination of his partnership relation. Each partner hereby waives and renounces his right to seek a court decree of dissolution or to seek the appointment by a court of a liquidator for the partnership.

ARTICLE XV

Transfer of Partnership Property to a Corporation

With the written consent of the general partner and a majority in interest of the limited partners in the capital of the partnership determined under Section 6.1, the partnership may transfer all or any part of its property to a corporation in exchange for stock of the corporation. After the transfer, the partnership may hold the stock received or may distribute it to the partners. In making any distribution of stock to the partners, the difference between the fair market value of the stock (determined by an independent appraisal of the assets of the corporation) and the value

at which it is carried on the books of the partnership shall be determined, and the difference shall be credited or charged, as the case may be, solely to the capital accounts of the limited partners in the proportions of their capital interests in the partnership.

#### ARTICLE XVI

#### Arbitration

If any controversy or claim arising out of this agreement cannot be settled by the partners, it shall be settled by arbitration in accordance with the rules of the American Arbitration Association then in effect, and judgment on the award may be entered in any court having jurisdiction thereof. However, no matter that is specifically covered by the agreement shall be subject to arbitration.

IN WITNESS WHEREOF, the partners have signed this agreement of limited partnership.

#### GENERAL PARTNER

T LAZY S RANCH, a general partnership  
Battle Mountain, Nevada

By: C. B. Thornton

#### LIMITED PARTNERS

Clarence L. Price  
Clarence L. Price, Trustee  
U/A 4-30-62, FBO Charles B.  
Thornton, Jr.  
Beverly Hills, California

Clarence L. Price  
Clarence L. Price, Trustee  
U/A 4-30-62, FBO William L.  
Thornton  
Beverly Hills, California

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

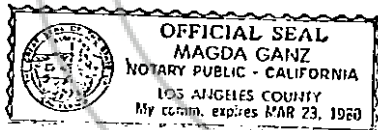
On this 27<sup>th</sup> day of July, 1976, before me, a notary public, personally appeared C. B. Thornton, Jr., known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that such partnership executed the same.



Magda Ganz  
Notary Public in and for said  
County and State

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On this 27<sup>th</sup> day of July, 1976, before me, a notary public, personally appeared Clarence L. Price as trustee of the aforementioned trusts, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same as such trustee.



Magda Ganz  
Notary Public in and for said  
County and State

LIMITED PARTNERSHIP AGREEMENT OF

T LAZY S FARMS

Schedule A

Certain real property situate in the County of Eureka, State of Nevada, more particularly described as follows, to wit:

Township 33 North, Range 49 East, MDB&M

Section 1: West one-half  
2: All  
3: West one-half  
4: All  
5: East one-half  
8: All  
9: All  
10: All  
11: All  
12: West one-half  
13: West one-half  
14: All  
15: All  
16: All  
17: All  
22: North one-half  
23: All  
26: North one-half

As further described in a Grant, Bargain and Sale Deed to T Lazy S Farms, a limited partnership, as Grantee

RECORDED AT THE REQUEST OF C. B. Thornton, Jr.  
on August 2, 1976, at 30 mins. past 1 P.M. In  
Book 56 of OFFICIAL RECORDS, Page 16-32, RECORDS OF  
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder  
File No. 61862 Fee \$ 19.00

BOOK 56 PAGE 32