



**Department of State.**

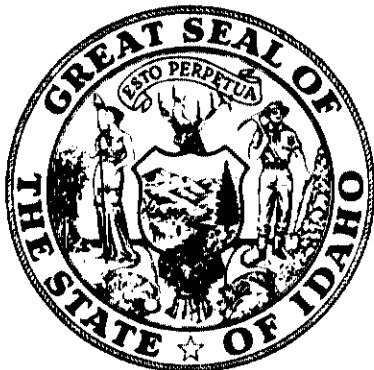
**CERTIFICATE OF REGISTRATION  
OF**

***SINPCO LANDS***

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of an Application of ***SINPCO LANDS*** for Registration in this State, duly signed and verified pursuant to the provisions of the Idaho Limited Partnership Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Registration to ***SINPCO LANDS*** to transact business in this State under the name ***SINPCO LANDS*** and attach hereto a duplicate original of the Application for Registration.

Dated ***July 7, 1982.***



*Pete T. Cenarrusa*

SECRETARY OF STATE

by: \_\_\_\_\_

**APPLICATION FOR REGISTRATION OF  
FOREIGN LIMITED PARTNERSHIP**

RECEIVED  
'82 JUL 7 PM 3:17  
SECRETARY OF  
STATE

To the Secretary of State of the State of Idaho:

Pursuant to the provisions of Chapter 2, Title 53, Idaho Code, the undersigned Limited Partnership hereby applies for registration to transact business in your State, and for that purpose submits the following statement:

1. The name of the limited partnership is SIMPCO LANDS
2. The name which it shall use in Idaho is SIMPCO LANDS
3. It is organized under the laws of State of California
4. The date of its formation is June 6, 1979
5. The address of its registered or principal office in the state or country under the laws of which it is organized is Fred Haight Drive, P.O. Box 769, Smith River, California
6. The name and street address of its proposed registered agent in Idaho are Del Geddes,  
P.O. Drawer C, New Meadows, Idaho
7. The general character of the business it proposes to transact in Idaho is:  
Logging, ranching, farming, land development
8. The names and business addresses of its partners are (must be completed only if not included in the certificate of limited partnership):

Name	General or Limited	Address

(continued on reverse)

8. (Continued)

Name	General or Limited	Address

9. This Application is accompanied by a copy of the certificate of limited partnership and amendments thereto, duly authenticated by the proper officer of the state or country under the laws of which it is organized.

Dated July 1, 1982, 19 82.

L.H. SIMONSON

By 

A General Partner

STATE OF IDAHO )  
COUNTY OF ADAMS ) ss:

I, JIM S. HIGGINS, a notary public, do hereby certify that on this  
1 st day of July, 19 82, personally appeared  
before me L.H. SIMONSON, who being by me first duly sworn,  
declared that he is a general partner of SIMPCO LANDS, a California limited  
partnership,

that he signed the foregoing document as a general partner of the limited partnership and that the statements therein contained are true.

  
Notary Public

THE WITHIN DOCUMENT IS A CORRECT COPY OF THE RECORD ON  
 PAGE 2  
 OF 2  
 ATTEST: *[Signature]* CLERK, RECORDER, AND FOR  
 DEL NORTE COUNTY, CALIFORNIA  
 DATE: 7/1/82  
*[Signature]* DEPUTY

RECORDED

WHEN RECORDED MAIL TO:

JAMES R. HOOPER  
 A Professional Corporation  
 686 "G" Street  
 Crescent City, CA 95531

2420

RECORDED AT REQUEST OF

*[Signature]*  
 OFFICIAL RECORD

JUN 6 3 27 PM '79

DEL NORTE COUNTY, CA  
 JAMES R. HOOPER  
 COUNTY CLERK-RECORDER  
 BY *[Signature]* 10

CERTIFICATE OF LIMITED PARTNERSHIP

SIMPCO LANDS

Pursuant to California Corporations Code Section 15502, the undersigned partners of SIMPCO LANDS, a California Limited Partnership, pursuant to a Limited Partnership Agreement agreed to on the date hereof (the "Partnership Agreement"), hereby certify to this Certificate of Limited Partnership and hereby make and severally sign the following Certificate for that purpose.

I

The name of the Partnership is SIMPCO LANDS. The only partnership among the parties known as SIMPCO LANDS is the partnership pursuant to this Certificate of Limited Partnership.

II

The Partnership shall engage in the business of agriculture; dairying; farming; ranching; mining; owning, buying, growing/ cutting, logging, harvesting and selling of timber and logs.

III

The principal place of business shall be in the town of Smith River, County of Del Norte, State of California.

IV

The names and residence address of the General Partners are:

L. E. Simonson and Lorrayne Simonson  
Route 2, Box 1340  
Smith River, California 95567

The names and residence addresses of the Limited Partners are:

Larry Simonson  
Route 2, Box 1210  
Smith River, California 95567

L. E. Simonson and Lorrayne Simonson  
Route 2, Box 1340  
Smith River, California 95567

V

The term of said Partnership shall be for an initial term of fifty (50) years and thereafter on a year-to-year basis until terminated in the manner provided under the Partnership Agreement.

VI

The capital contributions of each Limited Partner to the Partnership are \$200.00 each.

VII

No Partner shall be liable to make additional contributions, but a Partner shall have a pre-emptive right to make an additional contribution upon the same terms as

offered to others. If he does not, those Partners who contribute the share of the non-contributing Partner shall be entitled to receive a percentage each year of the non-contributing Partners share in net profits, equal to ten percent of the contribution of the contributing Partners in excess of the contribution requested of him.

## VIII

The capital contributions of a Limited Partner may not be withdrawn from the Partnership unless the General Partners, in their sole discretion, determine that funds or other capital of the Partnership are in excess of the reasonable needs of the Partnership. If so determined, and on request, a Limited Partner may withdraw his capital contribution in an amount equal to a pro rata portion of such excess, based on the ratio of his capital accounts to the capital accounts of all Partners.

## IX

The Limited Partners are entitled to share in ninety-nine percent (99%) of the net profits of the Partnership in the proportion that their capital accounts at the end of the Partnership accounting year bear to the capital accounts of all Partners.

## X

A Limited Partner may not assign his interest to a substitute partner except (a) to members of his family, (b) to a corporation or partnership wholly owned by the Partner and his family, (c) to the personal representative of a Limited Partner in the event of death or incompetency of such partner or by testamentary disposition or intestate succession to members of such Limited Partner's family, (d) to another Partner, (e) to beneficiaries (or their guardians) of a trust which is a Limited Partner or (f) upon giving a right of first refusal to certain Partners individually, to the Partnership, and then the Limited Partners individually to acquire the interest to be assigned for the same price, terms and conditions offered to a third party. In addition, such transferee shall not become a substituted limited partner unless he has executed the Limited Partnership Agreement and appropriate certificates in such capacity.

## XI

Additional Limited Partners may be admitted only by agreement of a majority in interest of the General Partners in the Partnership.

## XII

No one or more of the Limited Partners has any priority over other Limited Partners as to contributions or as to compensation by way of income, except for designated preference capital accounts which shall have a preference on income and in liquidation.

## XIII

Upon withdrawal, death, bankruptcy or incompetency of a General Partner, the Partnership shall not dissolve and liquidate so long as one General Partner remains. If a General Partner does not remain, the Partnership shall terminate unless a majority in interest of the Limited Partners shall elect to continue the business and appoint a new General Partner. If notice of the election to continue is not made to all Partners within sixty (60) days after the event requiring appointment, the Partnership shall dissolve and liquidate under the terms of the Partnership Agreement.

## XIV

No right exists in the Limited Partners to demand or receive property, other than cash, in return for their contributions, except that upon dissolution, the General Partners may distribute ratably Partnership assets in kind, in lieu of cash payments to which the Limited Partners are otherwise entitled.

## XV

In addition to the voting rights of the Limited Partners set forth in the preceding Articles, the Limited Partners may, by a seventy percent (70%) majority vote in interest of all Limited Partners,

- (1) elect or remove a General Partner,
- (2) terminate the Partnership.



- (3) amend the partnership agreement, or
- (4) consent to the sale of substantially all Partnership assets.

IN WITNESS WHEREOF, the parties hereto have set their hands effective as of the 6th day of June, 1979.

GENERAL PARTNERS:

  
L. G. SIMONSON

  
LORRAINE SIMONSON

LIMITED PARTNERS:

  
L. G. SIMONSON

  
LORRAINE SIMONSON

  
LARRY SIMONSON

STATE OF CALIFORNIA)  
 ) ss.  
 COUNTY OF DEL NORTE)

On this 6th day of June , 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared Lorraine Simonson, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



*Agnes F. Fizer*  
 Notary Public, State of California

My Commission expires: Feb 25, 1983

STATE OF CALIFORNIA)  
 ) ss:  
 COUNTY OF DEL NORTE)

On this 6th day of June , 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared L. H. Simonson, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



*Agnes F. Fizer*  
 Notary Public, State of California

My Commission expires: Feb 25, 1983

STATE OF CALIFORNIA )  
COUNTY OF DEL NORTE ) ss.

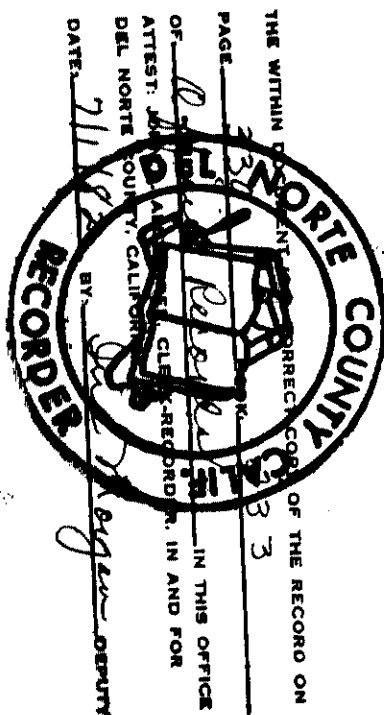
On this 6th day of June, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared Larry Simonson, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



Agnes F. Fizer  
Notary Public, State of California

My Commission expires: Feb 25, 1983



WHEN RECORDED MAIL TO:

JAMES R. HOOPER  
A Professional Corporation  
686 "G" Street  
Crescent City, California 95531

RECORDED AT REQUEST OF  
*James R. Hooper*  
OFFICIAL RECORDS

JUN 2 10 32 AM '79

DEL NORTE COUNTY, CA  
JOHN R. ALLEN  
CLERK-RECORDER  
BY J. Hooper, DEPUTY

1800

2880

FIRST AMENDED

CERTIFICATE OF LIMITED PARTNERSHIP

SIMPCO LANDS

Pursuant to Sections 15524 and 15525 of the California Corporations Code, the undersigned Partners of SIMPCO LANDS, a California Limited Partnership, hereby certify to the Amendment to the Certificate of Limited Partnership of SIMPCO LANDS, a California Limited Partnership, recorded on June 6, 1979, as document number 2420, at pages 226 through 233, of book 232 of Official Records of the Recorder of the County of Del Norte, State of California, and hereby make and severally sign the following Certificate for that purpose:

I

The name of the Partnership is SIMPCO LANDS. The only partnership among the parties known as SIMPCO LANDS is the partnership pursuant to this Certificate of Limited Partnership.

II

The Partnership shall engage in the business of agriculture; dairying; farming; ranching; mining; owning, buying, growing, logging, harvesting and selling of timber and logs; owning, leasing, buying, operating, selling and developing of improved and unimproved real

property; bidding on, acquiring and completing small business set-aside timber sales and timber contracts, and the like; owning, leasing, buying, using and operating motor vehicles, animals, machinery, equipment and other personal property necessary or convenient in connection with any of the aforementioned activities; owning and operating a retail sporting goods business; and such other related activities as may be allowed by law.

### III

The principal place of business of the Partnership shall be in the town of Smith River, County of Del Norte, State of California.

### IV

The name and place of residence of each General Partner and of each Limited Partner of this Partnership are as set forth on EXHIBIT "A" attached hereto and incorporated herein by reference and made a part hereof.

### V

The term of this Partnership shall be for an initial term of fifty (50) years and thereafter on a year-to-year basis until terminated in the manner provided under the Partnership Agreement.

### VI

The capital contributions of each Limited Partner to the Partnership is as set forth in EXHIBIT "B" attached hereto and incorporated herein by reference and made a part hereof.

### VII

No Partner shall be liable to make additional contributions,

but a Partner shall have a pre-emptive right to make an additional non-preference capital contribution upon the same terms as offered to others. To the extent a Partner does not contribute non-preference capital upon a call by the Managing Partner, those Partners who contribute the share of the non-contributing Partner shall be entitled to receive a percentage each year of the non-contributing Partner's share in net profits, equal to ten percent of the additional contribution so made by the other Partners for the non-contributing Partner.

## VIII

The non-preference capital contributions of a Limited Partner may not be withdrawn from the Partnership for a period of ten years from the date of contribution and then only if the Managing Partner, in his sole discretion, determines that funds or other capital of the Partnership are in excess of the reasonable needs of the Partnership. If so determined, a Limited Partner may withdraw his capital contribution in an amount equal to a pro rata portion of such excess, based on the ratio of his capital account to the non-preference capital accounts of all Partners. Limited Partners who have advanced additional capital contributions for other Limited Partners, may withdraw proportionately the additional capital so contributed, to the extent of available excess funds, on a priority basis without time limitations. Preference capital accounts may be withdrawn in whole or in part at any time with the consent of the Managing Partner when he determines the capital withdrawn is in excess of the reasonable needs of the Partnership.

## XI

The Limited Partners are entitled to share in the net profits of the Partnership as set forth in EXHIBIT "C" attached hereto and

incorporated herein by reference and made a part hereof.

X

A Limited Partner may not assign his interest to a substitute partner except (a) to members of his family, (b) to a corporation or partnership wholly owned by the Limited Partner and his family, (c) to the personal representative of a Limited Partner in the event of death or incompetency of such partner or by testamentary disposition or intestate succession to members of such Limited Partner's family, (d) to another Limited Partner, (e) to beneficiaries (or their guardians) of a trust which is a Limited Partner or (f) upon giving a right of first refusal to (i) his family, (ii) certain Partners individually, (iii) the Partnership, and then (iv) the Limited Partners individually to acquire the interest to be assigned for the same price, terms and conditions offered to a third party. In addition, such transferee shall not become a substituted limited partner unless he has executed the Limited Partnership Agreement and appropriate certificates in such capacity.

XI

Additional Limited Partners may be admitted only by agreement of a majority in interest of the General Partners in the Partnership.

XII

No one or more of the Limited Partners has any priority over other Limited Partners as to contributions or as to compensation by way of income, except for designated preference capital accounts of Limited Partners which shall have a preference as to the net income as noted in the aforesaid EXHIBIT "C" attached hereto, and a preference

in liquidation after payment of Partnership debts.

### XIII

Upon withdrawal, death, bankruptcy or incompetency of a General Partner, the Partnership shall not dissolve and liquidate so long as one General Partner remains. If no General Partner remains, the Partnership shall terminate unless a majority in interest of certain Partners elect to continue the business and appoint a new General Partner, or failing election by the aforesaid group, unless a majority in interest of the Limited Partners elect to continue the business and appoint a new General Partner. If notice of the election to continue is not made to all Partners within sixty (60) days after the event requiring appointment, the Partnership shall dissolve and liquidate under the terms of the Partnership Agreement.

### XIV

No right exists in the Limited Partners to demand or receive property, other than cash, in return for their contributions, except (a) that upon dissolution, the General Partners may distribute ratably Partnership assets in kind, in lieu of cash payments to which the Limited Partners are otherwise entitled and (b) Limited Partners with certain preference accounts described in the aforesaid EXHIBIT "C" may withdraw their preference capital accounts in kind if permitted by the Managing Partner when the Managing Partner determines the capital account withdrawn is in excess of the reasonable needs of the Partnership.

### XV

In addition to the voting rights of the Limited Partners set forth in the preceding Articles, the Limited Partners may participate



in the seventy-five percent (75%) vote in interest of all Partners,

- (1) To terminate the Partnership, or
- (2) To amend the Partnership Agreement.

All Limited Partners must consent to the election of a new General Partner who is not a member of the L. H. Simonson family and to an amendment to the amendment provision of the Partnership Agreement and altering the status of the Partnership as a limited partnership.

A majority in interest of certain Limited Partners must consent to the sale of substantially all the Partnership assets and election of a new General Partner who is a member of the L. H. Simonson family.

IN WITNESS WHEREOF, the parties hereto have executed this First Amended Certificate of Limited Partnership, effective as of the 30th day of June, 1979.

GENERAL PARTNERS

  
L. H. SIMONSON

  
LORRAINE SIMONSON

LIMITED PARTNERS

  
L. H. SIMONSON

  
LORRAINE SIMONSON

  
LARRY SIMONSON

  
NANCY SIMONSON

LIMITED PARTNERS (Cont'd)

Laverne Powell  
LAVERNE POWELL

David C. Powell  
DAVID C. POWELL

Lee Ann Mattison  
LEE ANN MATTISON

Roger Mattison  
ROGER MATTISON

Loretta Coleman  
LORETTA COLEMAN

Mark A. Coleman  
MARK A. COLEMAN

BANK OF AMERICA NT&SA,  
TRUSTEE OF THE HENRY  
SIMONSON TRUST

By Ron Chittick  
RON CHITTOCK, Trust Officer

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF DEL NORTE )

On this 2nd day of July, 1979, before me, the undersigned Notary Public for the State of California, duly commissioned and sworn, personally appeared L. H. SIMONSON and LORRAYNE SIMONSON, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



Kathleen A. Aitchison  
Notary Public, State of California

My Commission expires: June 27, 1980

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF DEL NORTE )

On this 2nd day of July, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared LARRY SIMONSON and NANCY SIMONSON, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



Kathleen A. Aitchison  
Notary Public, State of California

My Commission expires: June 27, 1980

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF DEL NORTE )

On this 2nd day of July, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared LAVONNE POWELL and DAVID C. POWELL, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



Kathleen A. Aitchison  
Notary Public, State of California

My Commission expires: June 27, 1980

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF DEL NORTE )

On this 2nd day of July, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared LEE ANN MATTISON and ROGER MATTISON, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



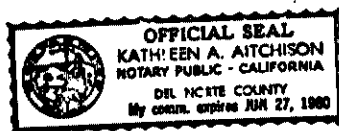
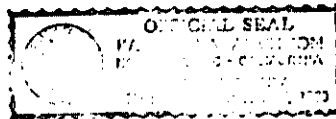
Kathleen A. Aitchison  
Notary Public, State of California

My Commission expires: June 27, 1980

STATE OF CALIFORNIA )  
 ) ss.  
 COUNTY OF DEL NORTE )

On this 2nd day of July, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared LORETTA COLEMAN and MARK A. COLEMAN, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of Del Norte, the day and year in this certificate first above written.



Kathleen A. Aitchison  
 Notary Public, State of California  
 My Commission expires: June 27 1980

STATE OF CALIFORNIA )  
 ) ss.  
 COUNTY OF DEL NORTE )

On this 24 day of June, 1979, before me, the undersigned, Notary Public for the State of California, duly commissioned and sworn, personally appeared RON CHITTOCK, known to me to be an assistant Vice-President and Trust Officer of the Corporation described in and that executed the within instrument, and also known to me to be the person who executed the within instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the State of California, County of Del Norte, the day and year in this certificate first above written.

  
 Notary Public State of California

My Commission Expires: 2-19-83

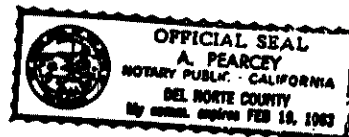


EXHIBIT "A"

A. NAMES AND RESIDENCE ADDRESS OF THE GENERAL PARTNERS:

L. H. SIMONSON And LORRAYNE SIMONSON  
Route 2, Box 1340  
Smith River, California 95567

B. NAMES AND RESIDENCE ADDRESSES OF THE LIMITED PARTNERS

1. L. H. SIMONSON And LORRAYNE SIMONSON  
Route 2, Box 1340  
Smith River, California
2. LARRY SIMONSON  
Route 2, Box 1210  
Smith River, California 95567
3. LAVONNE POWELL  
Route 2, Box 436  
Crescent City, California 95531
4. LEE ANN MATTISON  
2126 Hodgson Street  
Eureka, California 95501
5. LORETTA COLEMAN  
2209 Northeast Grant  
Hillsboro, Oregon 97123
6. NANCY SIMONSON  
Route 2, Box 1210  
Smith River, California 95567
7. DAVID C. POWELL  
Route 2, Box 436  
Crescent City, California 95531

8. ROGER MATTISON  
2126 Hodgson Street  
Eureka, California 95501
9. MARK A. COLEMAN  
2209 Northeast Grant  
Hillsboro, Oregon 97123
10. BANK OF AMERICA NT&SA,  
TRUST OF THE HENRY  
SIMONSON TRUST  
334 "P" Street  
Eureka, California 95501



EXHIBIT "B"

CAPITAL CONTRIBUTIONS OF LIMITED PARTNERS -  
CASH OR PROPERTY OR A COMBINATION OF CASH  
AND PROPERTY WITH AGREED VALUES AS FOLLOWS:

<u>NAME OF LIMITED PARTNER</u>	<u>AGREED VALUE OF CAPITAL CONTRIBUTION</u>
1. L. E. SIMONSON And LORRAYNE SIMONSON ..... (Promissory Notes & Accounts Recivable)	\$ <u>600,000.00</u>
2. LARRY SIMONSON ..... (Promissory Notes)	\$ <u>14,560.00</u>
3. LAVONNE POWELL ..... (Promissory Notes)	\$ <u>14,560.00</u>
4. LEE ANN MATTISON ..... (Promissory Notes)	\$ <u>14,560.00</u>
5. LORETTA COLEMAN ..... (Promissory Notes)	\$ <u>14,560.00</u>
6. NANCY SIMONSON ..... (Promissory Notes)	\$ <u>14,560.00</u>
7. DAVID C. POWELL ..... (Promissory Notes)	\$ <u>14,560.00</u>
8. ROGER MATTISON ..... (Promissory Notes)	\$ <u>14,560.00</u>

EXHIBIT "B"

EXHIBIT "B" (Cont'd)

<u>NAME OF LIMITED PARTNER</u>	<u>AGREED VALUE OF CAPITAL CONTRIBUTION</u>
9. MARK A. COLEMAN ..... (Promissory Notes)	\$ <u>14,560.00</u>
10. BANK OF AMERICA NT&SA, TRUSTEE OF THE HENRY SIMONSON TRUST ..... (Land, Timber, Equipment, Motor Vehicles, Ranch Properties, Livestock, Common Stock, Partnership Interest, Notes and Accounts Receivable Subject to liabilities of \$2,095.612.00, Net Agreed Value \$12,842,311.00)	\$14,937.923.00

EXHIBIT "B"

**EXHIBIT "C"**  
**SIMCO LANDS LIMITED PARTNERSHIP AGREEMENT**

**PREFERENCE LIMITED PARTNERSHIP ACCOUNTS**

Some or all of a LIMITED PARTNER'S Capital account, upon contribution to the PARTNERSHIP, may be designated, with the approval of the Managing Partner, as a Preference account which will be maintained separately. The Preference account shall be entitled to certain preferences to the income of the PARTNERSHIP as provided below and shall be preferred in liquidation as provided in SECTION 15.02 of the Limited Partnership Agreement.

**PROFIT AND LOSS ALLOCATION**

Profits of the PARTNERSHIP shall be allocated, first to those LIMITED PARTNERS with Preference Capital accounts as hereinafter set forth. The remaining profits, if any, after the Preference allocation, shall be allocated to the PARTNERS in proportion to their Non-Preference Capital accounts. Losses of the PARTNERSHIP shall be allocated to the PARTNERS in proportion to the PARTNERS' Preference and Non-Preference Capital accounts.

Preference Capital accounts shall have prior rights to the profits of the PARTNERSHIP equal to six percent (6%) per year on the average balances of the Preference Capital accounts. The average balances shall be calculated by taking the average of the balances in the Preference Capital accounts on the first day of each calendar quarter of the calendar year. If the aggregate PARTNERSHIP profits in any calendar year are less than the aforesaid Preference return for all Preference Capital accounts, the profits shall be allocated proportionately among the Preference Capital accounts, and any Preference return not earned shall cumulate and be allocated proportionately in the earliest subsequent calendar year from profits for that year prior to the Preference return allocation of that subsequent year.

For income tax purposes, all tax credits shall be allocated to PARTNERS in proportion to the PARTNERS' Preference and Non-Preference Capital accounts. All types and categories of income and deductions which are attributed to PARTNERS shall be allocated to the PARTNERS' accounts in the same ratio as total profits are allocated to all PARTNERS, except as provided in the following paragraph.

In computing the PARTNERSHIP profits and losses, there shall first be excluded capital gains and other income of the PARTNERSHIP which are attributable to property contributed by a PARTNER to the extent the agreed capital value of the property (or in the case of a promissory note, the principal amount thereof) exceeds the PARTNER'S tax basis in the property on the date of the contribution. In addition, the aforesaid amount of capital gains or other income so excluded shall be allocated for tax purposes to the PARTNER contributing the property. It is intended hereby that the capital gains and other income so attributed shall be allocated to the contributing PARTNER in no greater amount than would otherwise be includible in his gross income and had the property not been contributed to the PARTNERSHIP.