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SECRETARY OF  
STATE

THE LIMITED PARTNERSHIP INTEREST REPRESENTED BY THIS AGREEMENT HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS OFFERED PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(2) OF THE ACT AND THE RULES AND REGULATIONS ADOPTED THEREUNDER AND SIMILAR EXEMPTIONS UNDER RCW 21.20 OF THE SECURITIES ACT OF WASHINGTON AND § 30-1435 OF THE SECURITIES ACT OF IDAHO. SUCH INTEREST MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED TO ANY PERSON IN THE ABSENCE OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNERS THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

CERTIFICATE AND AGREEMENT OF LIMITED PARTNERSHIP OF  
KAPPA LEASING LIMITED PARTNERSHIP

This Certificate and Agreement of Limited Partnership is entered into by and between Hallmark Leasing, Ltd. as General Partner and David Ream as the Initial Limited Partner. The parties hereto do hereby form a Limited Partnership pursuant to the Idaho Uniform Limited Partnership Act (Title 53, Chapter 2) as amended and for that purpose do hereby agree as follows:

ARTICLE I  
NAME

- 1.1 The Partnership name shall be Kappa Leasing Limited Partnership.
- 1.2 The General Partner, in its discretion, may change the Partnership name at any time, or from time to time, and may cause the Partnership to do business at the same time, under one or more fictitious names if the General Partner deems it in the best interest of the Partnership. However, the surname of any Limited Partner shall not appear in the Partnership name or in a fictitious name to be used by the Partnership.

ARTICLE II  
FORMATION OF PARTNERSHIP

- 2.1 The parties hereby form a Limited Partnership (hereinafter referred to as the "Partnership") pursuant to the provisions

of the Uniform Limited Partnership Act as adopted by the State of Idaho. The partners shall execute and cause to be recorded a Certificate of Limited Partnership and any additional documents as may be necessary or appropriate to form a limited partnership pursuant to the laws of the State of Idaho.

ARTICLE III  
PURPOSES

- 3.1 The purposes for which the Partnership is formed shall be:
- A. To acquire, lease, license, purchase, hold, manufacture, modify, customize, sell, trade or otherwise dispose of real or personal property of all types.
  - B. To engage in any business, trade or activity which may lawfully be conducted by a partnership organized under the Idaho Limited Partnership Act.
  - C. To make any investments or expenditures, and to take any and all action, and to engage in any and all activity which is incidental or reasonably related to any purpose of the Partnership as described herein.
  - D. To incur indebtedness, secured or unsecured, for any of the purposes of the Partnership.
  - E. Any other purposes as are necessary to protect or enhance the assets of the Partnership.

ARTICLE IV  
PRINCIPAL BUSINESS ADDRESS AND ADDRESS OF GENERAL PARTNERS

- 4.1 The principal mailing address, principal place of business and specified office of the Partnership, and the address of the General Partners, unless changed by the General Partners upon notice to the Limited Partners, shall be:

2015 - 14th West  
Seattle, Washington 98119

ARTICLE V  
TERM

- 5.1 The term of the Partnership shall commence upon the filing hereof with the office of the Secretary of State and terminate in the year 2005 on the anniversary date of the Partnership unless earlier terminated in accordance with Article XIX.

**ARTICLE VI**  
**DEFINITIONS**

- 6.1 Assumption Agreement. The agreement whereby each Limited Partner agrees to assume a pro rata portion of the Partnership's liability under certain Notes given in 1984 and 1985. The amount of said liability per Unit is limited to a total of One Hundred Seventy Thousand Dollars (\$170,000). This liability shall also be evidenced by an Assumption Note.
- 6.2 Cash Available for Distribution. The partnership revenues, less cash disbursements made for Partnership purposes as determined by the General Partners, said disbursements including but not limited to all expenses (including fees and expenses to the General Partners and lease payments) and debt payments and less any amount set aside by the General Partners for creation or restoration of reserve or working capital accounts.
- 6.3 Capital Account. The total capital contributed to the Partnership by a Partner increased by the Partner's share of Partnership profits and any additional capital contributions and decreased by the Partner's share of Partnership losses and any cash distributions.
- 6.4 Cash Capital Contribution. The cash contribution by each Limited Partner is a total of \$14,300 per Unit, payable at the time of execution of the Subscription Agreement.
- 6.5 Closing Date. The date after which no further sale of Units will be made. May 31, 1984 is the Closing Date, unless extended without notice by the General Partners to no later than December 31, 1984.
- 6.6 General Partners. The person or entity which has full and exclusive powers of management and control of Partnership affairs. Hallmark Leasing Ltd. is the General Partner of the Partnership.
- 6.7 Initial Capital Contribution. The total of the Initial Cash Capital Contribution of \$14,300 per Unit and the pro rata share of the Partnership's liability assumed under the Assumption Agreement, a total of \$184,300 total capital contribution per Unit.
- 6.8 Limited Partner. Any person who properly executes a Subscription Agreement, including Appendices, which is accepted by the General Partners and who is admitted to the Partnership as evidenced by thereafter filing a Certificate of Limited Partnership or an amendment thereto, and any

person who is duly admitted to the Partnership as a substituted Limited Partner.

- 6.9 Limited Partnership Unit. An interest in the Partnership's capital of \$184,300, sometimes referred to as "Unit(s)".
- 6.10 Partners. The General Partners, any successor General Partners, and all Limited Partners, collectively.
- 6.11 Partnership. Kappa Leasing Limited Partnership, an Idaho Limited Partnership.
- 6.12 Partnership Revenues. All revenues received by the Partnership from its operations.

ARTICLE VII  
PARTNERS AND CAPITAL CONTRIBUTIONS

- 7.1 The General Partner will contribute to the capital of the Partnership Five Thousand Dollars (\$5,000) in the form of demand promissory note due in any event in seven (7) years to the Partnership, and it shall share in the profits, losses and distributions in the manner and amount as hereinafter described in this Agreement. The General Partner shall have no right to withdraw or reduce its contribution to capital except upon dissolution and as otherwise provided by law. The General Partner shall have no right to demand or receive property other than cash in return for its contribution nor may it share in a partition of Partnership property.
- 7.2 David Ream of Suite 425, Colman Building, Seattle, Washington shall be the Initial Limited Partner at the formation of the Partnership, and he shall contribute the sum of One Hundred Dollars (\$100.00) in cash to the capital of the Partnership. The Initial Limited Partner shall withdraw as a Limited Partner concurrent with the filing of an amendment to this Certificate and Agreement of Limited Partnership which admits additional Limited Partners. The Initial Limited Partner's capital contribution will be returned to him in cash on the first business day after the admission of additional Limited Partners, upon which occurrence the interest of the Initial Limited Partner in the Partnership shall be liquidated and the Initial Limited Partner shall cease to be a Limited Partner. The additional Limited Partners consent to the Initial Limited Partner's withdrawal of his capital contribution and waive and release the Initial Limited Partner and the General Partner from any right, claim or action that they may have against any of them as a consequence of such withdrawal.

7.3 The Partnership intends to offer Thirty-Five (35) Limited Partnership interests ("Units") to qualified prospective investors. The minimum investment by a Limited Partner shall be one Limited Partnership Unit, provided that, in the sole discretion of the General Partner subscriptions for fractional units may be accepted. However, the General Partner may not accept any subscription if such acceptance would result in over thirty-five (35) nonaccredited investors becoming Limited Partners. Each Limited Partner agrees to and shall make, at the time of the execution of the Subscription Agreement, the Initial Capital Contribution as set forth in Paragraph 7.6. Each such person shall be admitted to the Partnership at such time as:

- A. The Partner has executed a Subscription Agreement including the Assumption Agreement attached thereto for a Limited Partnership Unit or Units and the General Partner has accepted said Subscription Agreement.
- B. The Limited Partner has executed and acknowledged or sworn to, such documents as the General Partner may require pursuant to which the Limited Partner evidences to the General Partner his suitability to make the investment and agrees to be bound by the terms and provisions of this Agreement, and grants to the General Partner the Power of Attorney required by this Agreement.
- C. The Partnership has received, in the General Partner's sole discretion, subscriptions from prospective Limited Partners for the purchase of a sufficient number of Limited Partnership Units to carry out the Partnership's purpose. Provided that, if at the Closing Date, as may be extended, of the Offering of Limited Partnership Units, a sufficient number of Units have not been subscribed for, the General Partner, in its sole discretion, may purchase Units so that the total number of Units subscribed for is sufficient. Provided further, that any Limited Partnership Units that the General Partner shall subscribe to shall be purchased on exactly the same terms as any other Limited Partner shall be subject to as set forth in this Agreement. Nothing in this paragraph shall limit the General Partner's right to cancel this offering and return all documents and contributions without interest or deduction.

7.4 Within 30 days of the admission of a new or substitute Limited Partner, the General Partner shall cause to be recorded with the Secretary of State of the State of Idaho in accordance with Title 53, Chapter 2, as amended, this

Certificate and Agreement of Limited Partnership, or an amendment to this Certificate and Agreement of Limited Partnership naming such person as a Limited Partner.

- 7.5 No person shall be admitted to the Partnership as a Limited Partner except those persons who subscribe before the date or other termination of the Offering of Limited Partnership Units and whose subscriptions are accepted by the General Partner in its sole discretion.
- 7.6 The Initial Capital Contribution shall consist of One Hundred Eighty Four Thousand Three Hundred Dollars (\$184,300) per Unit, payable as follows:
- A. Fourteen Thousand Three Hundred Dollars (\$14,300) payable in cash at the time of subscription;
  - B. No more than a total of One Hundred Seventy Thousand Dollars (\$170,000) by assumption of a pro rata portion liability on certain notes given by the Partnership as partial payment of the lease payments due in 1984 and 1985.
- 7.7 A capital account shall be established for each Partner, and such capital account shall be credited with each contribution to the Partnership capital made by each Partner. Each such capital account for Limited Partners shall consist initially of the cash paid and the liability assumed totaling \$184,300 per Unit. Further, additional contributions made pursuant to paragraph 7.9 and net profits, losses and distributions, as determined under Article XII and the provisions thereunder, shall be debited or credited to each Partner's capital account as appropriate.
- In the event of termination and liquidation, distributions shall be made in accordance with paragraph 19.2 and each Partner's capital account excepting however, that upon sale of any Partnership property at liquidation there shall be charged back to any Partner who received a special allocation with respect to such property the amount of any gain received, limited however to the amount of the special allocation.
- 7.8 No Partner shall have the right to demand the return of his contribution to capital, or to withdraw or reduce his contributions to the capital of the Partnership except upon the dissolution of the Limited Partnership and liquidation of its assets, provided, however, that the capital contributions may be reduced by distributions authorized by the General Partner and made concurrently to all Partners.

In no event shall a Partner have the right to demand property other than cash in return for his contribution. No Limited Partner shall have the right or power to cause the dissolution and break up of the Limited Partnership by court decree or otherwise, except as provided below. No Limited Partner shall have the right or power to bring an action for partition against the Partnership.

- 7.9 The General Partner shall have no right to assess or otherwise require additional capital contributions from the Limited Partners without amendment to this Agreement as provided in Article XXI. Any proposed Amendment allowing for assessment of additional capital contributions shall set forth the total amount of capital required, the need for and uses of such capital as specifically as possible, and the amount of contribution required per Unit of Limited Partnership held.
- 7.10 In the event that a Limited Partner fails, for whatever reason, to discharge his obligations described in Section 7.6 or fails to honor a mandatory assessment of additional capital contributions if any shall be made pursuant to Section 7.9, the General Partner, in its sole discretion, may elect to take whatever actions it deems in the best interest of the Partnership to collect the amounts owing to the Partnership, declaring the amount of primary liability assumed by the Limited Partner to become immediately due and payable pursuant to the terms of the Notes and Assumption Agreement, filing legal action against the Limited Partner to recover the entire amounts owing, collecting interest monthly at the maximum rate permitted by law on any unpaid balance and/or selling the Limited Partner's interest in the Partnership which secures the payment of the Note, Assumption Agreement and mandatory assessments, and filing suit for any deficiency. In the latter event, the Partner's interest will be offered for sale first to all other Partners and then to persons who are not Partners of the Partnership and sold to the person who submits the best offer. The cash proceeds of such a sale shall be applied first, to legal fees and the reasonable expenses incurred in selling the interest; second, to the amount due under the note or assessment; and third, to the outstanding accrued liabilities under the Note assumed by the defaulting Limited Partner. The balance of such proceeds, if any, shall be paid to the defaulting Limited Partner. To the extent the proceeds are insufficient to pay the entire amount of the Note or the mandatory assessment, he shall remain personally liable for the unpaid balance of the Note or the mandatory assessment. The defaulting Partner's interest shall be subject to obligations imposed on the defaulting Partner under the Assumption Agreement, but the purchaser shall not

be personally liable for such obligations. The General Partner is hereby authorized by the Limited Partners pursuant to the Power of Attorney granted by Article XX hereof to execute any and all necessary instruments and documents, including amendments hereto, to effectuate the foregoing. However, no failure to discharge an obligation or honor a mandatory assessment shall be considered a default until five (5) days after such failure. Upon default the General Partner must give the Partner notice of the failure and allow the Partner twenty (20) days after said notice to cure such default before proceeding with any remedy described above. The Partner may cure this default by payment of the said obligation or assessment together with interest at the rate of 1.5% per month.

#### ARTICLE VIII COMPENSATION OF THE GENERAL PARTNER

- 8.1 The General Partner shall receive organizational fees of Seventy-Five Thousand Seventy-Five Dollars (\$75,075). Some of this amount or other funds of the Corporate General Partner may be paid by the Corporate General Partner to sales agents, as commissions or finder's fees.
- 8.2 The General Partner will receive overhead expense reimbursement and a management fee totalling One Thousand Dollars (\$1,000) per month. The Corporate General Partner, acting in its fiduciary capacity, may choose to reduce this. No more than Twenty-Five Thousand Dollars (\$25,000) of this fee will be paid from capital contributions.
- 8.3 The General Partner shall receive an organizational and management fee of one percent (1%) of all cash distributions by the Partnership until the Limited Partners have been paid an amount equal to one hundred percent (100%) of their cash capital contribution and shall thereafter receive twenty percent (20%) of all cash distributions.
- 8.4 If less than thirty-five (35) Limited Partnership Units are sold, the amounts stated in 8.1 and 8.2 shall be reduced by a percentage equal to the percentage of Units unsold out of 35.

#### ARTICLE IX STATUS OF LIMITED PARTNERS

- 9.1 Each Limited Partner's interest in the Limited Partners' share of the Partnership and its profits and losses shall be in the proportion that the number of Limited Partnership



Units owned by the Limited Partner in the Partnership bears to the total number of Limited Partnership Units which from time to time exist.

- 9.2 A Limited Partner shall not be personally liable for the expenses, liabilities, or obligations of the Partnership beyond the amount of his assumed liability under the Lease, his share of undistributed profits of the Partnership, if any, and his unpaid capital contribution, if any.

ARTICLE X  
RIGHTS, AUTHORITY, POWERS, RESPONSIBILITIES  
AND DUTIES OF THE GENERAL PARTNER

- 10.1 The General Partner shall have the full, exclusive and complete discretion in the management and control of the business of the Partnership for the purposes herein stated and shall make all decisions affecting the business of the Partnership.

- 10.2 The General Partner shall manage and control the affairs of the Partnership to the best of its ability and shall use its best effort to carry out the purposes of the Partnership and, in connection therewith, the powers of the General Partner include, but are not limited to, the power:

- A. To sell, transfer, assign, convey, lease, sublet, or otherwise disburse or deal with any of the Partnership property or leases of the Partnership subject to the limitations set forth in Paragraphs 10.3 and 10.6;
- B. To borrow money for Partnership purposes and, if security is required therefore, to mortgage, or subject to any other security device, any Partnership asset;
- C. To employ, engage, retain or deal with any persons, firms or corporations, whether or not any Partner is employed by, or is directly or indirectly connected with, any such person, firm or corporation except as provided in Article XV hereof, in such capacities as the General Partner may determine, on behalf of the Partnership, provided that such services are necessary and the compensation to be paid by the Partnership therefore is reasonable;
- D. To acquire and enter into any contract of insurance at competitive rates, which the General Partner reasonably deems necessary and proper for the protection of the Partnership, for the conservation of the Properties or any other asset of the Partnership, or for any purpose beneficial to the Partnership;

- E. To maintain adequate records and accounts of all operations and expenditures and furnish the Limited Partners with the reports and other information as required by Article XIV hereof; to prepare all filings required by United States or Idaho Law;
- F. To lend or advance money to the Partnership and charge the Partnership interest which shall not, in any event, exceed the maximum rate permitted by the law of Idaho. The aggregate sums advanced shall become an obligation of the Partnership and may be evidenced by a promissory note secured by a mortgage or security agreement signed by the General Partner. The sums advanced shall be repaid at such time or times as sufficient cash is available to the Partnership to permit such repayment without impairing the solvency of the Partnership; except that any sums shall immediately become due and payable upon dissolution and termination of the Partnership. Nothing in this paragraph shall be construed so as to place any obligation whatsoever upon the General Partner to make any loan or advance to the Partnership;
- G. To execute, acknowledge and deliver any and all instruments to effectuate the business of the Partnership;
- H. To open accounts and deposit funds in the name of the Partnership in banks or savings and loan associations and to make interim investments in such debt securities as would not bring the Partnership within the Investment Company Act of 1940;
- I. To admit, in its discretion, substituted Limited Partners;
- J. To make elections under the tax laws of the State of Idaho, the United States or any other state as to the treatment of Partnership income, gain, loss, deduction and credit, and as to all other relevant matters;
- K. The General Partner shall serve as the Tax Matters Partner under §6221 of the Internal Revenue Code and shall have all powers granted under that section.
- L. The General Partner shall be responsible for Tax Defense. It shall create a fund from 5% of Partnership Revenue up to a total of \$25,000 to pay for Tax Defense. This fund shall be invested and all gains and interest shall become part of the fund. This fund shall be added to the Partnership's general funds or

distributed to the Partners at such time as the General Partner determines it is no longer needed, whether before or after Partnership dissolution.

- M. The Tax Defense Fund and working capital shall be used to pay certain tax penalties or to indemnify penalized or damaged persons, in the discretion of the General Partner. These penalties include any promoter penalties imposed against any General Partner or their salesmen, agents, employees, attorneys or accountants with regard to this Partnership. These penalties also include preparer penalties imposed against the preparer of any Partnership return or the preparer of the return of any Partner with regard to Partnership items treated consistently with the Partnership return.
  - N. To, in its sole discretion, submit questions of general business operations to a vote of the Limited Partners and abide by the decision of a majority in interest.
  - O. To assign up to 80% of Partnership income to creditors to avoid default on any Partnership liabilities, especially the Notes given as lease payments.
- 10.3 Notwithstanding anything contained herein to the contrary, without the prior written consent of all the Limited Partners, the General Partner shall have no authority to, and it covenants and agrees that it will not:
- A. Do any act in contravention of this Agreement;
  - B. Do any act which would make it impossible to carry on the ordinary business of the Partnership, except as provided in Article XIX and paragraph 10.6;
  - C. Confess a judgment against the Partnership;
  - D. Possess Partnership property or assign the rights of the Partnership in specific Partnership property for other than a Partnership purpose;
  - E. Admit a person as a General Partner except as provided in Article XVIII.
- 10.4 The General Partner shall devote such time to the Partnership as it in its sole discretion deems necessary for the discharge of its obligations and duties hereunder.
- 10.5 Any Partner may engage in or possess an interest in any other business venture of every nature and description, including those directly competitive with the Partnership.

- 10.6 Notwithstanding the foregoing, the General Partner shall have no authority to, and it covenants and agrees that it will not, sell or otherwise dispose of all or substantially all of the assets of the Partnership without the vote or written consent of sixty-six percent (66%) in interest of the Limited Partners.

ARTICLE XI  
RIGHTS, AUTHORITY, POWERS AND  
RESPONSIBILITIES OF LIMITED PARTNERS

- 11.1 A Limited Partner, as such, shall take no part in, or interfere in any manner with, the conduct or control of the Partnership business and shall have no right or authority to act for or bind the Partnership except as otherwise provided in this Agreement.
- 11.2 The Limited Partners shall have the right to vote upon the termination and dissolution of the Partnership.
- 11.3 The affirmative vote of sixty-six percent (66%) in interest as defined herein of the Limited Partners shall be required to approve any matter on which the Limited Partners vote unless otherwise specified in this Agreement. Each Limited Partner agrees to be bound by the decision made in accordance with this agreement by a vote of the Limited Partners.
- 11.4 A Limited Partner shall have the right, at all reasonable times, and upon three (3) days' notice to the General Partner, to inspect, audit and copy the Partnership books and to have, on demand, true and full information of all things affecting the Partnership. Such rights may be exercised in person or by an agent or attorney of a Limited Partner, provided, that any such agent or attorney shall, on request of the General Partner, furnish reasonable evidence of his authority to act on behalf of a Limited Partner.
- 11.5 A Limited Partner also may, with the consent of the General Partner, lend money to and transact other business with the Partnership on such terms as the Limited Partner and the General Partner agree. No Limited Partner shall be permitted to make a loan upon the security of Partnership property if, at the time such secured loan is made, the assets of the Partnership are not sufficient to discharge Partnership liabilities to persons not claiming as General or Limited Partners.
- 11.6 If an outsider is to acquire controlling stock of the General Partner all Limited Partners shall be informed of such proposed acquisition in writing at least thirty (30)

days prior to consumation of such acquisition. This notice shall include adequate disclosure of the details of the pending acquisition so as to allow the Limited Partners to make an informed decision as to its effect upon their investment. The General Partner shall call a meeting within twenty (20) days immediately following the written notice. At said meeting, rejection of the pending acquisition by sixty-six percent (66%) or more of the then outstanding limited partnership interest shall disallow the acquisition.

ARTICLE XII  
ALLOCATION OF INCOME, LOSSES AND EXPENSES  
AND DISTRIBUTION OF CASH FLOW

- 12.1 Until they have received the return of their cash capital contribution, ninety-nine percent (99%) of the profits and losses of the Partnership shall be divided among and charged against the holders of the Limited Partnership Units of record, proportionately, at the end of each taxable year of the Partnership in the ratio which the number of Units owned by each of them bears to the number of Units owned by all Limited Partners. Thereafter, the Limited Partners shall be allocated and divide in the above manner eighty percent (80%) of the profits and losses of the Partnership. The General Partner shall be allocated the remainder of the profits and losses of the Partnership.
- 12.2 All items of depreciation, gain, loss, deduction and credit shall, for Partnership book purposes and for tax purposes, be allocated in the same manner in which the Partners' share profits and losses.
- 12.3 As between a Limited Partner and his Transferee, profits and losses for any fiscal year shall be allocated on the basis of the number of days in such year that each was the holder of the Units transferred in accordance with this Agreement, without regard to the results of the Partnership's operations during the period before and after such transfer and without regard to whether cash distributions were made to the Transferor or Transferee.
- 12.4 The General Partner shall make distributions from the "Cash Available for Distribution" at such time or times as the General Partner determines, but at least quarterly, in the following manner:

The General Partner shall receive one percent (1%) of the cash available for distribution and the Limited Partners shall receive ninety-nine percent (99%) of the cash available for distribution until the Limited Partners have received cash disbursements totalling one hundred percent

(100%) of their cash capital contribution. Thereafter the General Partner shall receive twenty percent (20%) and the Limited Partners eighty percent (80%) of the cash available for distribution.

- 12.5 In the event that a Limited Partner fails to discharge any obligation or assessment due under paragraphs 7.6 or 7.9 and the General Partner chooses to proceed under paragraph 7.10 to collect the amount owing, the Limited Partner shall receive no interest in profits, losses or distributions until the amount is paid. If the Limited Partnership Units are sold by the General Partner as authorized by paragraph 7.10, the New Limited Partner shall receive a proportionate interest in profits, losses and distributions for the year in which sold and a full interest in all future years. The previous owner of the Limited Partnership Units shall have no interest in profits, losses and distributions for the year in which sold nor in any future years.

ARTICLE XIII  
BOOKS, RECORDS, ACCOUNTINGS AND REPORTS

- 13.1 The Partnership shall keep at its principal place of business at all times of its continuance proper and complete records and books of account in accordance with generally accepted accounting practice, and such records and books shall be open for inspection, audit and copying by any Partner at any time during reasonable business hours. Such records and books shall initially be kept on the accrual basis; provided, however, that the General Partner may from time to time change the accounting basis on which such records and books are kept as may be required or permitted by law. Such records and books of account may be audited at Partnership expense as of the end of each fiscal year of the Partnership and at any other time that the General Partner may deem necessary or appropriate by a firm of independent certified public accountants, selected by the General Partner.
- 13.2 As soon as reasonably practicable after the end of each fiscal quarter and in no event later than ninety (90) days thereafter, each Partner shall be furnished with a statement of income, partners' equity and changes in financial position and a balance sheet for the quarter then ended, none of which need be audited.
- 13.3 Within ninety (90) days after the end of each fiscal year of the Partnership, an annual report shall be issued including:
- A. A balance sheet, a statement of income and expenses, a statement of sources and uses of funds, and a statement

of changes in the Partners' capital account, prepared in accordance with generally accepted accounting principles.

- B. A statement of the balances in the capital accounts of the Limited Partners and of the General Partner; and
- C. A report of the activities of the Partnership during such fiscal year, which shall include a statement of fees and expenses paid to the General Partner and its Affiliates.

- 13.4 As soon as reasonably practicable after the end of each fiscal year, and in no event later than ninety (90) days thereafter, each Partner shall be furnished with a copy of Schedule K-1 for the filing of the partner's tax return with either or both the federal and state tax authorities, showing the amount allocated to said Partner pursuant to this Agreement during or in respect to such year, and any items of income, expense or credit allocated to him pursuant to this Agreement for purposes of the Internal Revenue Code.
- 13.5 The accounting year of the Partnership shall be the calendar year.
- 13.6 The General Partner shall elect on behalf of the Partnership the accrual method of accounting for federal and state income tax purposes. All elections required or permitted to be made by the Partnership under the Idaho revenue laws, the Internal Revenue Code and other state revenue laws shall be made by the Corporate General Partner in such manner as will, in its opinion, be most advantageous to a majority in interest of the Limited Partners.
- 13.7 In the event of a distribution of property to a Partner or the transfer of an interest in the Partnership by sale, exchange or upon the death of a Partner, the General Partner may, in its discretion, cause the Partnership to file an election under Section 754 of the Internal Revenue Code in accordance with the Regulations thereunder to adjust the basis of Partnership property in the manner provided in §§734 and 743 of the Internal Revenue Code.

#### ARTICLE XIV TRANSACTIONS WITH THE GENERAL PARTNER OR ITS AFFILIATES

- 14.1 The Partnership may enter into transactions, contracts, agreements, or arrangements with the General Partner or its affiliates for the performance of services or the furnishing

of goods, materials, supplies or equipment for the benefit or use, directly or indirectly, of the Partnership subject to the following:

- A. The fee or compensation paid for the performance of any services shall be competitive with the fee or compensation of independent persons engaged in the business of rendering comparable services and is no greater than the amount the General Partner or Affiliates customarily charge independent third parties for comparable services.
  - B. If the General Partner or Affiliates sell, rent, or otherwise furnish goods, materials, supplies, or equipment, the charges, rents and prices therefor shall be fair and competitive with those prevailing in the community.
  - C. Neither the General Partner nor Affiliates shall receive any rebates or give-ups, nor shall they participate in any reciprocal business arrangements which would circumvent these provisions or any of the federal or state laws or regulations dealing with securities or Limited Partnership.
  - D. Any transaction, contract, agreement or arrangement between the Partnership and the General Partner or its Affiliates, shall be fully and promptly disclosed to the Limited Partners in the periodic reports as required herein and the Limited Partners may vote, by sixty-six percent (66%) in interest, to cancel any such transaction, contract, agreement or arrangement upon thirty (30) days notice.
- 14.2 Neither the General Partner, nor the Limited Partners nor Affiliates, shall borrow money from the Partnership.

ARTICLE XV  
ASSIGNMENT OF PARTNERSHIP INTERESTS AND  
SUBSTITUTION OF LIMITED PARTNERS

- 15.1 Subject to the provisions of this Agreement, a Limited Partner shall have no right to assign his Limited Partnership Unit(s) in the Partnership except as provided in this Article or Article XVI and further provided that no less than a full Unit may be assigned. The assignment shall not be in contravention of any of the provisions of this Agreement or any applicable State or Federal law. Any attempted assignment of Limited Partnership Units which is prohibited by this Agreement or which is in contravention of State or Federal law shall be ineffective to transfer the



Limited Partnership Units. Each assignment shall be duly executed by the Assignor and Assignee and received by the Partnership and recorded on the books thereof, subject to the provisions of this Article.

15.2 A person who has acquired the beneficial interest in one or more Units by assignment or otherwise from a Limited Partner shall have the right to become a Substituted Limited Partner only if all of the following conditions are first satisfied:

- A. A duly executed and acknowledged written instrument of assignment of such Units shall have been filed with the Partnership, which instrument shall specify the number of Units being assigned and set forth the intention of the Assignor that the Assignee succeed to Assignor's interest as a substituted Limited Partner in his place;
- B. The Assignor and Assignee shall have executed and acknowledged such other instruments as the General Partner may deem necessary or desirable to effect such substitution, including the written acceptance and adoption by the Assignee of the provisions of this Agreement and his execution and delivery to the General Partner of a Special Power of Attorney, the form and content of which shall be prescribed by the General Partner;
- C. The written consent of the General Partner, in its sole discretion, to such substitution shall be obtained; and
- D. A transfer fee shall have been paid to the Partnership which is sufficient to cover all reasonable expenses connected with such substitution.

15.3 In the event a Limited Partner transfers all of his Units, he will cease to be a Limited Partner. The General Partner may, in its discretion, refuse to recognize any assignment which would result in fractional Units.

15.4 In the event of an assignment or transfer complying with all the requirements of Articles XV or XVI, the profits, losses and other allocations allocable to such Units shall be allocated among the persons who held such Units during such calendar year in proportion to the number of days each person held such Units, and without regard to when the profits, losses or other allocations were actually realized, received or distributed.

15.5 By executing or adopting this Agreement, each Limited Partner hereby consents to the admission of additional or

Substituted Limited Partners by the General Partner and to any Assignee of Units becoming a Substituted Limited Partner, as provided in this Article.

- 15.6 The General Partner shall cause this Agreement and any separate Certificate of Limited Partnership to be amended to reflect the addition or substitution of Limited Partners.
- 15.7 Notwithstanding the foregoing, a Limited Partner may not transfer his Units in any case if such a transfer, when aggregated with all other transfers within a 12-month period, would cause the termination of the Partnership as a partnership for federal income tax purposes pursuant to Section 708 of the Internal Revenue Code of 1954, as amended.
- 15.8 Notwithstanding any other provisions of this Agreement to the contrary, a Limited Partner shall not assign all or any part of his interest to any person who is insane, incompetent, has not attained his eighteenth (18th) birthday or to a person or entity not lawfully empowered to own such Units, and any assignment or transfer directly to a person or entity under any such disability may be disregarded by the Partnership in its discretion.
- 15.9 The General Partner and Limited Partners hereby represent and warrant that their respective interests in the Partnership are being acquired for investment purposes and that they are not acquiring the same with a view toward the sale or distribution thereof. In furtherance of this representation, all Partners acknowledge that the Partnership interests have not been registered under the Securities Act of 1933, as amended (the "1933 Act") in reliance on the exemptions afforded by §4(2) of the 1933 Act and similar exemptions under state securities laws.

Therefore, to preserve such exemptions and notwithstanding anything contained herein to the contrary, the Partners hereby agree that interests of the Limited Partners shall be nontransferable and nonassignable, except in compliance with the registration provisions of the 1933 Act, or an exemption or exemptions therefrom, and in compliance with applicable state securities laws and rules and regulations promulgated thereunder, and any attempted or purported transfer or assignment in violation of the foregoing shall be void and of no effect. Accordingly, as an additional condition precedent to any assignment or other transfer of any interest in the Partnership, the General Partner may require an opinion of counsel acceptable to it that such assignment or transfer will be made in compliance with the registration provisions of the 1933 Act or exemption therefrom, and in

compliance with or exemption from applicable state securities laws and rules and regulations promulgated thereunder, and such Transferor or Assignor shall be responsible for paying said counsel's fee for the opinion. The foregoing shall not limit the restrictive legend set forth at the beginning of this Agreement.

ARTICLE XVI  
DEATH, INCOMPETENCY, BANKRUPTCY,  
RETIREMENT OR DISSOLUTION OF A LIMITED PARTNER

- 16.1 The death, adjudication of bankruptcy, insolvency, dissolution, retirement or legal incompetency of a Limited Partner will not terminate the Partnership. The personal representative, if any, of such a Limited Partner shall succeed to his Limited Partnership Units and have all the liabilities and obligations of the Limited Partner under this Agreement, and shall have the right to become a substituted Limited Partner in accordance with the provisions of this Agreement.

ARTICLE XVII  
LIABILITY OF THE GENERAL PARTNER AND INDEMNIFICATION

- 17.1 The General Partner shall have the right and authority to require in all Partnership contracts that the General Partner will not be personally liable thereon and that the person or entity contracting with the Partnership is to look solely to the Partnership and its assets for satisfaction.
- 17.2 The Partnership shall indemnify, save harmless and pay all judgments against the General Partner, and its employees and agents, from any liability or damage incurred by reason of any act performed or omitted to be performed by them in connection with the business of the Partnership, including attorney's fees incurred by them in connection with the defense of any action based on any such act or omission, which attorney's fees may be paid as incurred, including all such liabilities under state and federal securities acts (including the Securities Act of 1933) as permitted by law. The Partnership shall also indemnify the General Partner for any promoter penalties imposed against it as a result of this Partnership. In the event of any action by a unit holder against the General Partner, including a Partnership derivative suit, the Partnership will indemnify, save harmless and pay all expenses of the General Partner, including attorney's fees incurred in the defense of said action, if the General Partner is successful in said action. Notwithstanding the foregoing, neither the General Partner nor its employees or agents shall be relieved from any liability to the unit holders imposed by law including

liability for fraud, bad faith, willful neglect or negligence. All judgments against the Partnership and the General Partner, wherein the General Partner is entitled to indemnification, must first be satisfied from Partnership assets before the General Partner is responsible for these obligations.

- 17.3 The General Partner shall indemnify and hold the Partnership and each Limited Partner harmless against any claim, demand, liability, cost, damage or cause of action arising out of or related to:
- A. The proven willful misconduct of the General Partner; or
  - B. The proven breach of this Agreement or its fiduciary duties by the General Partner.

ARTICLE XVIII  
WITHDRAWAL AND SUBSTITUTION OF A GENERAL PARTNER

- 18.1 In the event of a General Partner's death, incompetency, dissolution or cessation to exist, removal, bankruptcy, insolvency or withdrawal in accordance with this Agreement, the Partnership shall be dissolved upon the ninety-first (91st) day thereafter, except as provided in Articles XVIII and XIX.
- 18.2 If a General Partner ceases to be a General Partner, it shall be and remain liable for all obligations and liabilities incurred by the Partnership during the period it was a General Partner, but it shall not be liable for or on account of obligations and liabilities incurred subsequent to it ceasing to be a General Partner.
- 18.3 A General Partner may withdraw and substitute another General Partner upon not less than ninety (90) days' notice, provided:
- A. That the substitute (herein called "substitute General Partner") is proposed by the withdrawing General Partner to serve as a General Partner; and
  - B. The Limited Partners holding sixty-six percent (66%) in interest authorize such withdrawal and substitution.
- 18.4 In the event a proposed substitute General Partner becomes a substitute General Partner, the substitute General Partner shall be assigned the General Partner Unit of the withdrawing General Partner, and the Partnership Agreement

shall be amended as hereafter provided. The substitute General Partner shall receive all of the previous General Partner's management power and responsibility.

- 18.5 In the event of a General Partner's death, incompetency, dissolution or cessation to exist, removal, bankruptcy, insolvency, or withdrawal in accordance with this agreement, it will be paid by the substitute General Partner, if any, or else the Partnership the fair market value of its interest in the Partnership in the form of a 10 year note with 10% recourse interest prepayable from distributions that otherwise would have been made to the withdrawing or removed General Partner. The fair market value shall be determined by agreement of the parties or by an independent expert appraiser chosen by the agreement of the parties or by an arbitrator.

ARTICLE XIX  
DISSOLUTION AND TERMINATION OF THE PARTNERSHIP

- 19.1 The Partnership shall be dissolved and terminated upon the happening of any of the following events:

- A. Upon the ninety-first (91st) day after the death, incompetency, dissolution or cessation to exist, removal, withdrawal in accordance with this Agreement, or adjudication of bankruptcy or insolvency of a General Partner if one hundred percent (100%) in interest of the Limited Partners fail to elect a successor to the General Partners or to elect to continue the Partnership provided at least one General Partner remains;
- B. The affirmative vote of the owners of sixty-six percent (66%) of the Limited Partnership Units;
- C. The disposition or sale by the Partnership of all or substantially all of the assets of the Partnership;
- D. Entry of a Decree of Dissolution by a court of competent jurisdiction; or
- E. Expiration of the term of the Partnership set in Article V unless 100% in interest of the Partners elect to extend the term of the Partnership for a set period of time.

- 19.2 Upon a dissolution of the Partnership, the General Partner, or its successors, or a person elected by the Limited Partners for such purpose in the absence of the General Partner, shall take full account of the Partnership assets

and liabilities, and the assets shall be liquidated as promptly as is consistent with obtaining the fair market value thereof, and the proceeds therefrom together with assets distributed in kind, to the extent sufficient therefor, shall be applied and distributed in the following order and priority:

- A. To the payment of creditors, including the General Partner and its affiliates to the extent of sums due under contracts, agreements or arrangements entered into in accordance with Article XIV of this Agreement, in order of priority as provided by law, except the claims of the Partners on account of their Partnership Units, claims of the General Partner or its affiliates, in regard to advances or loans made to the Partnership under Paragraph 10.2(F) of this Agreement, or sums made subordinate by this Agreement, and claims of secured creditors whose obligations will be assumed or otherwise transferred on the liquidation of Partnership assets;
- B. To the establishment of any reserve which the General Partner shall deem reasonably necessary to provide for any contingent or unforeseen liabilities or obligations of the Partnership including reserves for working capital, provided, however, that at the expiration of such period of time as the General Partner shall deem advisable, the balance of such reserve remaining after payment of such contingencies shall be distributed to the Partners as hereinafter set forth in this Article;
- C. To the General Partner or affiliates for payment of any loans or advances made under paragraph 10.2(F);
- D. The balance distributed ninety-nine percent (99%) to the Limited Partners pro rata and one percent (1%) to the General Partner until the Limited Partners have received cash equal to 100% of their cash capital contributions less prior cash disbursements. Thereafter, the distribution will be eighty percent (80%) to the Limited Partners and twenty percent (20%) to the General Partner.

The General Partner shall be required to restore to the Partnership any deficit balance in its capital account. The Limited Partners shall be required to restore to the Partnership any deficit balance in their capital account limited to the amount of any unpaid capital contribution including assumed liability.

- 19.3 A reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the discharge of liabilities to creditors so as to enable the General Partner to minimize the normal losses attendant upon liquidation.
- 19.4 Each of the Limited Partners shall be furnished with a statement prepared at Partnership expense by the General Partner, which shall set forth the assets and liabilities of the Partnership at the commencement of liquidation and an accounting with respect to the liquidation. When the General Partner has completed the liquidation and distribution, the Limited Partners shall cease to be such, and the General Partner, as the sole remaining partner of the Partnership, shall execute, acknowledge and cause to be filed a certificate of cancellation of the Partnership.

ARTICLE XX  
SPECIAL AND LIMITED POWER OF ATTORNEY

- 20.1 The General Partner shall at all times during the existence of the Partnership have a Special Power of Attorney as the attorney-in-fact for each Limited Partner, with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, acknowledge and file the following documents and any other documents deemed by the General Partner to be necessary for the business of the Partnership:
- A. This Agreement, any separate certificates of limited partnership, fictitious business name statements, as well as any amendments to the foregoing which, under the laws of any state, are required to be filed or which the General Partner deems it advisable to file;
  - B. The documents required to acquire the equipment and the Promissory Notes required to pay for them, including those Notes for which the Limited Partners have agreed to assume liability;
  - C. Any other instrument or document which may be required to be filed by the Partnership under the laws of the State of Idaho or the United States or by any governmental agency, or which the General Partners deem it advisable to file; and
  - D. Any instrument or document which may be required to effect the continuation of the Partnership, the admission of an additional or substituted Limited Partner, or the dissolution and termination of the Partnership (provided such continuation, admission or

dissolution and termination are in accordance with the terms of this Agreement), or to reflect any reductions in amount of contributions of Partners, or to act as permitted by paragraph 7.10 of this Agreement.

- 20.2 The Special Power of Attorney granted to the General Partner shall be deemed to be coupled with an interest, shall be irrevocable, shall survive the death, dissolution, bankruptcy, incompetency or legal disability of a Limited Partner and shall extend to such Limited Partner's heirs, successors and assigns; and may be exercised by such agent and attorney-in-fact for any Limited Partner by listing the Limited Partners required to execute any such instrument, and executing such instrument acting as attorney-in-fact for them or in such other manner, including by facsimile signature, as such agent and attorney-in-fact may deem appropriate. Each Limited Partner hereby agrees to be bound by any representations made by the General Partner acting in good faith pursuant to such power of attorney, and each Limited Partner hereby waives any and all defenses which may be available to contest, negate or disaffirm any action of the General Partner taken in good faith under such power of attorney.

#### ARTICLE XXI AMENDMENT

- 21.1 This Agreement may be amended at any time or from time to time by the vote, in person or by proxy, or written consent of the holders of sixty-six percent (66%) of the Limited Partnership Units, provided that no such amendment may be made which will constitute the Partnership as a general partnership or a partnership in which the Limited Partners have unlimited liability, and in no event shall this Agreement be amended to change, without full and adequate consideration therefor, the participation in profits, losses or distributions of any Partner. Amendments may be proposed by the General Partner or by Limited Partners holding at least ten percent (10%) of the Units then held by Limited Partners.

Following such proposal, the General Partner shall submit to the Limited Partners a verbatim statement of any proposed amendment, provided that counsel for the Partnership may make such changes in form thereto as may be necessary, and the General Partners shall include in any such submission its recommendation as to the proposed amendment. This Agreement shall be amended without the prior agreement of the Limited Partners whenever required by law or necessary



to effect changes of ministerial nature which do not adversely affect the rights or increase the obligations of the Limited Partners.

ARTICLE XXII  
MEETINGS AND VOTING

- 22.1 Meetings of the Partnership may be called by the General Partner and it, or its successor, shall call such a meeting following receipt of written request therefor by Limited Partners holding at least ten percent (10%) of the then outstanding Limited Partnership Units. The General Partner, or its successor, shall establish and notify the Limited Partners within twenty (20) days after receipt of such written request of the time and place, of the meeting and the nature of the business to be transacted. The Limited Partners of record on the date stated in the notice (and not more than twenty (20) days before the mailing date of the notice) shall receive the notice. The meeting shall be held no less than ten (10) days nor more than sixty (60) days following the mailing of the notice, as stated in that notice, or as otherwise provided in this Agreement. Expenses of the meeting and such notification shall be borne by the Partnership.
- 22.2 In any matter described in this Agreement on which a Limited Partner is entitled to grant (or deny) his consent or cast his vote, he may accomplish the same by attending any meeting convened for all of the Limited Partners entitled to vote on the matter, or he may grant to any person a special or general proxy to vote for him at any such meeting, or he may grant (or deny) his consent in writing. Said written consent may be utilized at any duly held meeting of the Limited Partners or it may be utilized in obtaining approval or denial by the Limited Partners (without a meeting) of a matter submitted to all Limited Partners entitled to grant or deny consent on said matter.
- 22.3 In the event a vote of the Limited Partners is taken pursuant to this Agreement for any reason, each Limited Partner, including the General Partner to the extent of its Limited Partnership Units, shall have one (1) vote for each Limited Partnership Unit he owns of record, including Limited Partnership Units assigned by him to persons who are not at the time of the vote Substituted Limited Partners.

ARTICLE XXIII  
MISCELLANEOUS


- 23.1 This Agreement may be executed in several counterparts, and all so executed shall constitute one Agreement, binding on

all of the parties hereto, notwithstanding that all of the parties are not signatory to the original or to the same counterpart.

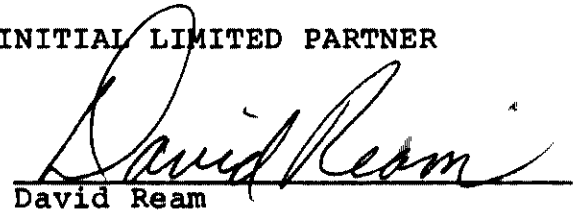
- 23.2 The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the respective parties hereto and shall be construed in accordance with, and governed by, the laws of the State of Idaho.
- 23.3 In the event that any provision of this Agreement or the application thereof to any person or in any circumstances shall be invalid, unlawful or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful or unenforceable, shall not be affected thereby, and each remaining provision of this Agreement shall continue to be valid and may be enforced to the fullest extent permitted by law.
- 23.4 All notices under this Agreement shall be in writing and shall be given to the Limited Partners entitled thereto, by personal service or by mail, postage prepaid, addressed to the address of each Limited Partner shown on annexed Schedule A, or to such other address as may be specified in writing by a Limited Partner to the General Partners. If such notice be to the General Partners, then it should be sent to the following address:
- 2015 - 14th West  
Seattle, Washington 98119
- 23.5 The agent for service of process on the Limited Partnership shall be Ronald Branson whose address, which is also the address of the Specified Office, is:
- 2310 North 4th Street  
Coeur d'Alene, ID 83814
- 23.6 Section titles or captions contained in this Agreement are inserted only as a matter of convenience and for reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof.
- 23.7 Whenever required by the context hereof, the singular shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders, and vice versa; and the word "person" shall include a corporation, partnership, firm or other form of association.

GENERAL PARTNER

HALLMARK LEASING, LTD.

  
LOREN MOUNCE, President

INITIAL LIMITED PARTNER

  
David Ream

230:7219