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CERTIFICATE AND PARTNERSHIP AGREEMENT VED

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THIS PARTNERSHIP AGREEMENT, entered into on this 20th day of December, 1982, by and between DALE C. CREECH, of Boise, Idaho, hereinafter referred to as the "General Partner," and JOHN L. RUNFT, of Boise, Idaho, hereinafter referred to as the "Limited Partner";

# WITNESSETH:

WHEREAS, the partners have heretofore had an informal partnership regarding certain mining business opportunities on the basis of the General Partner having a seventy-five per cent (75%) interest and the Limited Partner a twenty-five per cent (25%) interest in such opportunities, respectively; and,

WHEREAS, the parties have each expended considerable time, money and effort in investigating and developing said mining business opportunities; and,

WHEREAS, the partners now desire to formalize their partnership and organize it on the basis of a limited partnership under Chapter 2, Title 53 of the Idaho Code;

NOW, THEREFORE, in consideration of the above recitations and in consideration of the promises, covenants, terms and conditions hereinafter set forth, the parties hereto agree as follows:

## I. FORMATION OF LIMITED PARTNERSHIP.

1.1 Formation and Name: Subject to the terms, conditions and provisions set forth in this agreement, the partners do hereby form and constitute pursuant to the Idaho Limited Partnership Act (Section 53-101, et seq., of the Idaho Code), a limited partnership named CHEYENNE MINING LIMITED

PARTNERSHIP (hereinafter called the "partnership"). The parties hereby rescind all prior partnerships or other agreements and undertakings related to the subject matter of this partnership agreement. Subject to all applicable laws and the provisions of this agreement, the business of the partnership may be directed by the General Partner and conducted as the General Partner may determine to be necessary, advisable, or appropriate.

- of the partnership will be to prospect, acquire, develop, mine, operate and dispose of mines, mining properties, mineral leases and mining equipment, and to engage in mining and other related ventures as the partners by unanimous agreement may mutually decide and to take such actions with regard to such ventures as the General Partner may in his discretion determine.
- 1.3 <u>Place of Business</u>: The initial location of the principal place of business of the partnership will be 4904 Targee Street, Boise, Idaho 83704.
- 1.4 Names and Addresses of Partners: The name and address of each partner will be maintained in the records of the partnership, and will be set forth in the Certificate of Limited Partnership to be filed with the Secretary of State, State of Idaho, pursuant to the Idaho Limited Partnership Act.
- 1.5 Term: This partnership will commence on the date on which the Certificate of Limited Partnership is filed with the Secretary of State, State of Idaho, and will continue until terminated in accordance with Section VII, any other provision of this agreement, or by law, until December 31, 2002.

1.6 Filing of Certificates: At the direction of the General Partner, the partners will execute and deliver such certificates and other instruments as may be necessary to effect compliance with all requirements for the formation and operation of a limited partnership pursuant to the Idaho Limited Partnership Act and all other applicable laws of the State of Idaho relative to the business of the partnership in Idaho and/or in all other jurisdictions where the partnership may propose to conduct business.

## II. CONTRIBUTION TO PARTNERSHIP.

- 2.1 Form of Contribution: The contribution of a partner may be in cash, other tangible property, intangible property including proprietary knowledge, or labor or services actually performed.
- 2.2 Contribution of General Partner: The General Partner hereby contributes his experience and proprietary knowledge gained through his investment of labor, money and time in assessing and developing the business opportunities in the projects listed below, as well as all and any of his right, title and interest in and to said projects:
- (a) The Basin Project, consisting of certain unpatented placer mining claims in the Mud Flat Mining District, County of Boise, State of Idaho;
- (b) The Bender Creek Project, consisting of certain unpatented mining claims in the Niel Mining District, County of Boise, State of Idaho.

The General Partner shall contribute his experience, knowledge and expertise in mining and mining business opportunities in general, including with respect to the above listed projects. The General Partner's contribution is valued at Twenty Thousand Dollars (\$20,000.00).

- 2.3 Contribution of Limited Partner: The Limited Partner has contributed time, effort and personal services to the formation of the partnership and to the development of the above listed projects and has further contributed the sum of ONE THOUSAND EIGHT HUNDRED DOLLARS (\$1,800.00) to the partnership. The Limited Partner shall not be required to make any further capital contributions. The Limited Partner shall provide his knowledge and advice to the partnership and shall consult and advise the General Partner with respect to the business of the Limited Partnership. The Limited Partner's contribution is valued at Five Thousand Dollars (\$5,000.00).
- 2.4 Additional Capital Contributions of the Partners: It is anticipated that, from time to time and on a continuing basis, the partners may deem additional contributions necessary for the continued operation of the partnership. Such additional capital contributions as may be unanimously agreed upon by the partners shall be contributed by them to the partnership on a prorata basis equal to each partner's respective interest in the partnership, unless otherwise unanimously agreed upon by the partners.
- 2.5 Return of Partnership Contribution: No partner shall receive the return of any part of his contribution before the dissolution and winding up of the partnership.
- 2.6 Loans to Partnership: Upon unanimous approval of the partners, a partner may loan or advance money to the partnership. Any such loan by a partner to the partnership shall be separately entered in the books of the partnership as a loan to the partnership, and shall bear interest at the rate as may be agreed upon by the lending partner. A loan shall be evidenced by a promissory note to the lending partner executed by the partnership and delivered to the lending partner.

- III. OWNERSHIP, ALLOCATIONS AND DISTRIBUTIONS.
- 3.1 Ownership of the Partnership: The partnership is owned by the partners in the percentages set forth opposite their respective names, as follows:
  - DALE C. CREECH --- Seventy-five per cent
    JOHN L. RUNFT --- Twenty-five per cent
- 3.2 Allocation of Profits and Losses: The profits and losses of the partnership shall be allocated to the partners based upon their ownership percentages set forth in Section 3.1 above, unless otherwise agreed by the partners in writing, in which case the consideration for such variance from the ownership percentages shall be explicitly set forth.
- Assets: Distributions of cash or other assets of the partnership shall be allocated between the partners in a ratio equal to their ownership percentages set forth in Section 3.1 above, unless otherwise agreed by the partners in writing, in which case the consideration for such change in distribution ratios shall be explicitly set forth.
  - 3.4 Distributions to Partners:
- (a) Right to Distribution: A partner shall be entitled to receive distributions of profits or losses of the partnership upon the happening of any of the following events:
  - (i) Whenever all partners agree to such distribution:
  - (ii) At the completion of the partnership's development of a particular project whereby the partnership is not subject to further liabilities from that project.
- (b) <u>Limitations on Distribution</u>: Distributions to partners are limited as follows:

- (i) A partner may not receive a distribution from the partnership to the extent that, after giving effect to the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests, exceed the fair value of the partnership assets;
- (ii) Except as may be agreed by the partners in writing with regard to a particular distribution, a partner, regardless of the nature of his contribution, has no right to demand and receive any distribution from the partnership in any form other than cash. A partner may not be compelled to accept any distribution of any asset in kind, except upon the winding up of the affairs of the partnership.
- 3.5 Income Tax Allocation: To the extent permitted by law, all losses, deductions and credits for federal and state income tax purposes shall be allocated to the partners in the percentages set forth in Section 3.1 hereof. All items of partnership revenues, profit, income and gain, shall be allocated to the partners in accordance with their ownership percentages set forth in Section 3.1 above.

When proper under the applicable law, the partnership may, upon agreement of all partners, file an election to cause the basis of the partnership's assets to be adjusted for federal income tax purposes as provided by Sections 734 and 743 of the Internal Revenue Code of 1954, as amended.

3.6 Operating Reserve Fund: Prior to any distribution, the General Partner shall establish a reserve fund in such an amount as the General Partner, in his sole discretion, deems necessary, advisable or appropriate to pay operating

expenses, partnership indebtedness, and otherwise to conduct properly the business and affairs of the partnership.

### IV. MANAGEMENT.

- Management: To facilitate and administer the management responsibilities of the partnership, the General Partner shall be and act as manager of the partnership to administer and carry out the general and day-to-day affairs of the partnership and to put into effect the general policies, operations and specific goals of the partnership. The general partner may hire any person or persons as appropriate to aid and assist him in administering the general affairs of the partnership. The partnership shall indemnify and hold the General Partner harmless against all losses, claims, demands, damages or judgments arising from any act or failure to act by the General Partner or by any persons hired by the General Partner, except as may be proximately caused by the gross negligence or wilfull misconduct of the General Partner.
- 4.2 Amendments to Partnership Agreement: Any amendments to this agreement shall require the unanimous vote of all partners and must be evidenced by an instrument in writing executed by all partners.
- 4.3 Power to Contract and Incur Liability: The General Partner shall have the authority to bind the partnership by executing contracts and incurring obligations in the name and on the credit of the partnership in the ordinary course of partnership business.
- 4.4 Reimbursement of Expenses: The partnership shall reimburse the General Partner for any reasonable, ordinary and necessary expenses incurred by him on behalf of the partnership's business. Similarly, any person authorized by the General Partner to incur expenses on behalf of the partner-

ship's business shall be reimbursed for any such expenses so incurred.

- 4.5 <u>Personal Debts</u>: Neither the partnership nor any partner shall be liable for the personal debts and obligations of any partner, and each partner shall indemnify and hold the other partner in the partnership harmless from all liability, costs, claims and demands with respect thereto.
- 4.6 <u>Time Devoted to Partnership</u>: The General Partner is engaged in other business ventures and shall not be required to devote all of his business time to the affairs of the partnership; however, it is anticipated that the General Partner will devote a substantial portion of his business time and that such time shall be sufficient for the proper and efficient conduct of the partnership business. The Limited Partner is engaged in his profession on a full-time basis and will be available only on a limited basis to consult with and advise the General Partner with respect to the business of the limited partnership.
- 4.7 <u>Salaries</u>: No salaries or other compensation for services rendered shall be paid to any partner during the term hereof unless agreed to in writing by all partners; provided, however, that the partnership may employ and pay an appropriate salary to one or more persons hired by the partnership as employees or as independent contractors to provide necessary services to the partnership. Any such employment shall be at arm's length, and consistent with those requirements set forth in Section 7.7 of the Internal Revenue Code and regulations promulgated thereunder.
- V. RIGHTS OF AND LIMITATIONS UPON THE LIMITED PARTNER.
  - 5.1 Rights of the Limited Partner: The Limited

Partner will have the right to inspect and copy any and/or all of the books and records of the partnership kept at the principal place of business of the partnership and to exercise the other rights granted to limited partners under the Idaho Limited Partnership Act.

- 5.2 <u>Voting Rights of the Limited Partner</u>: The Limited Partner shall have the right to vote on certain matters as set forth in Section 53-219(b)(5) of the Idaho Code.
- 5.3 <u>Limitations on the Limited Partner</u>: The Limited Partner shall not have the right or power to do any of the following:
- (a) To take part in the control of the business or affairs of the partnership;
- (b) Engage in the management or operation of any partnership property;
- (c) In the capacity of a limited partner, to act as agent for or on behalf of the partnership or the General Partner or to do any act which would be binding on the partnership or the General Partner or to incur any expenditures on behalf of or with respect to the partnership;
- (d) Bring an action for partition against the partnership; or
- (e) Withdraw or reduce the Limited Partner's contribution to the capital of the partnership except as a result of dissolution and winding down of the partnership or as otherwise provided by law.

However, the Limited Partner shall not be deemed to participate in the control of the business solely by doing one or more of the following:

(a) Being a contractor for or an agent or employee of the partnership or of the General Partner;

- (b) Consulting with and advising the General Partner with respect to the business of the limited partnership;
  - (c) Acting as surety for the limited partnership;
- (d) Approving or disapproving an amendment to the partnership agreement; or
- (e) Otherwise doing any of the acts allowed to limited partners as set forth under Section 53-219(b) of the Idaho Code.
- 5.4 <u>Liability of the Limited Partner</u>: Except as set forth in Section 53-219 of the Idaho Code, the Limited Partner shall not be liable for the obligations of the partnership.
  - VI. TRANSFER OF INTERESTS.
- 6.1 Restrictions upon Transfer of Partnership

  Interests: No partner may sell, alienate, assign, encumber or otherwise transfer all or any portion of his partnership interest without the written consent of the remaining partner.
- 6.2 <u>Death or Incapacity of a Partner</u>: The death or incapacity of either partner shall cause the dissolution of this partnership.
- 6.3 <u>Bankruptcy</u>, <u>Receivership or Default of General</u>

  Partner: The partnership shall be dissolved and its affairs wound up upon any of the following:
- (a) The voluntary or involuntary filing of bankruptcy proceedings by or against the General Partner;
- (b) The assignment by the General Partner of his partnership interest for the benefit of creditors;
- (c) The appointment of a receiver or other creditor action or claim undertaken against the General Partner;
- (d) The transfer of any partnership interest by the General Partner to a spouse or former spouse pursuant to a marital dissolution; or

- (e) The unsecured breach by the General Partner of any obligation imposed hereunder.
- cable provisions elsewhere contained in this agreement, a partner shall be entitled to withdraw from the partnership by providing written notice thereof to the other partner. Upon receipt of such notice, the remaining partner shall have the option to dissolve the partnership or wind up its affairs or to continue the business of the partnership under its present name for the remainder of its term, either by himself or with other persons the remaining partner may elect.

In the event the remaining partner elects to dissolve the partnership, the partnership property shall be distributed and the affairs of the partnership wound up as set forth in Section VII hereof. In the event the remaining partner elects to continue the business of the partnership, the remaining partner shall purchase, in proportion to their respective partnership interests, all of the withdrawing partner's interest at the fair market value thereof upon such terms as the withdrawing partner and the remaining partner can agree.

- VII. <u>DISSOLUTION</u>, WINDING UP AND DISTRIBUTION OF ASSETS.
- 7.1 <u>Dissolution</u>: The partnership shall be dissolved upon the occurrence of any of the following events:
  - (a) The written consent of all partners;
  - (b) The expiration of the term of the partnership;
- (c) The sale of substantially all of the non-inventory property of the partnership outside of the normal course of business;
- (d) The disqualification of the partnership as a limited partnership under the Idaho Limited Partnership Act;

Partnership: In the event the partnership is dissolved, the partnership shall be wound up and terminated in accordance with the provisions of Section 53-246 of the Idaho Code and the assets distributed in accorance with the provisions of Section 53-247 of the Idaho Code.

VIII. BOOKS, RECORDS, BANK ACCOUNTS AND CAPITAL ACCOUNTS.

- 8.1 Books and Records: The General Partner will maintain accurate and complete books of account and other records with respect to the business and affairs of the partnership as provided by Section 53-205 of the Idaho Code. The General Partner will keep the books of account in accordance with a fiscal year ending December 31st and the cash basis method of accounting. The books and records of the partnership will be kept at the principal place of business of the partnership.
- 8.2 Maintenance of Bank Account: All funds of the partnership shall be deposited in a separate bank account or accounts in the name of the partnership, and the General Partner shall be the sole signatore on all checks drawn on the partnership accounts. Partnership funds shall be used only for partnership purposes. The General Partner shall cause the partnership to maintain at all times adequate cash balances for the payment of all current operating costs and expenses of the partnership, including, but not limited to, the cost of all services rendered to, or requested by, the partnership, all contractual obligations incurred by the partnership, and general operating costs and expenses of the partnership.
- 8.3 <u>Capital Accounts</u>: An individual capital account shall be maintained for each partner, consisting of his contri-

bution to the initial capital of the partnership, any additional contributions to the partnership capital made by such partner pursuant to this agreement, and any amounts transferred from his income account, as defined below, to his capital account pursuant to this agreement, subject to reduction by the value of any distributions in kind.

8.4 Income Accounts: An individual income account shall be maintained for each partner, with each partner having the right to withdraw from such income account such amounts as are deemed proper for distribution as hereinabove provided.

#### IX. REGISTERED AGENT.

The partnership shall continously maintain a Registered Agent in the State of Idaho for service of process on the partnership, which agent must be an individual resident of the State of Idaho, a domestic corporation, or a foreign corporation authorized to do business in the State of Idaho. The initial registered agent of the partnership is Rudy Barchas, 1471 Shoreline Drive, Boise, Idaho 83702.

### X. MISCELLANEOUS PROVISIONS.

10.1 Notice: Any notice or other communication required by this agreement to be made to either party hereto shall be given to them at the following addresses, until such time as a party may notify the other party in writing of a different address:

DALE C. CREECH 4904 Targee Street Boise, Idaho 83704

JOHN L. RUNFT
Idaho First National Bank-Empire Building
Suite 200
205 North Tenth Street
Boise, Idaho 83702

10.2 <u>Binding Effect</u>: This agreement shall be binding upon and shall inure to the benefit of the successors-in-interest, assigns and personal representatives of the respective parties.

- 10.2 Attorneys' Fees: In the event an action is brought for the breach of or the enforcement of this agreement, the prevailing party in such action shall be entitled to receive, in addition to any award, damages or equitable relief, reasonable attorneys' fees plus all costs incurred.
- 10.3 <u>Assignment</u>: This agreement and the rights and obligations of each of the parties hereto are personal to such parties and may not be transferred or assigned without the prior written consent of the other party.
- 10.4 Entire Agreement: This agreement contains the entire agreement of the parties, and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, shall be of any force or effect as between the parties hereto.
- 10.5 <u>Unenforceable Terms</u>: In the event that any provision of this agreement shall be unenforceable or inoperative as a matter of law, the remaining provisions shall remain in full force and effect.
- 10.6 Amendment: This agreement may be amended in whole or in part only by an agreement signed by all of the partners in writing.
- 10.7 Governing Law: This agreement shall be interpreted and construed in accordance with the laws of the State of Idaho.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year in this agreement first above written.

GENERAL PARTNER:

DALE C. CREECH

LIMITED PARTNER:

JOHN L. RUNFT

STATE OF IDAHO )

ss.

STATE OF IDAHO

On this 22 day of December, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared DALE C. CREECH, 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, the day and year in this certificate first above written.

Notary Public for Idaho Residing at Boise, Idaho.

STATE OF IDAHO ) ss.
STATE OF IDAHO )

On this day of December, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared JOHN L. RUNFT, 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, the day and year in this certificate first above written.

Notary Public for Idaho Residing at Boise, Idaho.