

## PARTNERSHIP AGREEMENT

Agreement made as of December 7<sup>th</sup>, 1999, between Bryan D Marsh  
 presently residing at 5650 Liberty Ave. Klamath Falls, Oregon (Name)  
 and Gary E. Marsh presently residing at 20190 Mountain View Drive  
Bend, Oregon (Address) (Name) (Address)  
 (individually, the "Partner" and collectively, the "Partners").

The parties hereby agree to form a general partnership (the "Partnership") under the law of the State of Oregon  
 upon the following terms and conditions:

1. **Name and Business.** The Partnership shall operate under the name of M3M Enterprises  
 and its principal place of business shall be at 5650 Liberty Ave. Klamath Falls, Oregon 97603  
 (Address)  
 or such other address as shall be designated by the Partners from time to time. The Partnership shall begin on December 7<sup>th</sup>  
1999, and continue until Terminated per section 9, unless sooner terminated pursuant to Section 9 hereof. The principal purpose  
 of the Partnership is to operate the following business: [A description of the business is to be inserted below]  
Real Estate Investments

2. **Partners' Original Capital Contributions.** The original capital of the Partnership shall consist of such amount as the  
 Partners shall unanimously determine and shall be contributed by the Partners in the same proportion as their respective interests in  
 Partnership profits and losses set forth in Section 4 hereof [or the partners may list the cash and property in the following space]

ALL DEBTS AND ASSETS EQUALLY

3. **Capital Accounts.**

- (a) An individual capital account shall be maintained for each Partner, which shall be reflected on the books of the  
 Partnership. The capital account of each Partner shall consist of each Partner's initial capital contribution (i)  
 increased by any additional contributions to capital, as distinguished from loans to the Partnership by such Partner,  
 and by his share of Partnership profits; and (ii) decreased by such Partner's share of Partnership expenses and losses,  
 and by distributions to such Partner, but there shall be no decrease in a Partner's capital account in connection with  
 the repayment of the principal amount of any loan due a Partner. No interest shall accrue on any capital account.
- (b) Additional capital required by the Partnership shall be contributed at such times as the Partners shall agree and, to  
 the extent practicable, in the same proportions as the Partners' respective interests in Partnership profits and losses  
 set forth in Section 4 hereof.

4. **Profits and Losses.**

- (a) The net profits of the Partnership shall be shared, and the net losses shall be borne, in the following proportions:

Bryan D. Marsh  
 (Name)

50% (If different percentage is intended, cross out the  
 one on the left and write in the percentage intended.)

Gary E. Marsh  
 (Name)

50% (If different percentage is intended, cross out the  
 one on the left and write in the percentage intended.)

- (b) All items of income, gain, loss, and deduction of the Partnership shall be allocated between the Partners for income tax purposes consistent with the manner of apportionment of the corresponding items of expense, profits, and losses of the Partnership hereinabove contemplated; provided, however, that any income and gain arising from a disposition of any asset contributed to the Partnership by a Partner shall be allocated to the contributing Partner in accordance with and to the extent required by Section 704(c) of the Internal Revenue Code.

**5. Management of the Partnership.**

- (a) The prior written consent of both Partners shall be required with respect to the management, conduct and operation of the Partnership business, including, but not limited to, financial commitments on behalf of the Partnership, the sale, mortgage or lease of Partnership property, or the loan or borrowing of funds by the Partnership or the Partnership's guarantee of any indebtedness.
- (b) All funds of the Partnership shall be deposited in such banking accounts and all withdrawals therefrom shall be made on such signatures and subject to such procedures, as from time to time shall be determined by both of the Partners.
- (c) No salary shall be paid to the Partners for their services to the Partnership, but each Partner may be reimbursed by the Partnership for reasonable expenses incurred by him on behalf of the Partnership.

**6. Books and Records.** Accounts, books and records shall be maintained at the principal office of the Partnership and be open for inspection by the Partners. The books of account shall be kept in accordance with generally accepted accounting principles. The fiscal year of the Partnership shall be the calendar year.

**7. Title to the Partnership Property.** The title to any property owned by the Partnership shall be held in such manner as the Partners determine with adequate documentation to establish at all times the Partnership's ownership thereof.

**8. Assignment and Transfer.**

- (a) A Partner shall not mortgage, pledge, or otherwise encumber or sell or otherwise transfer all or any part of his interest in this Partnership without the prior written consent of the other Partner.
- (b) Any other purported sale or transfer by a Partner, other than those by operation of law, shall be null and void.

**9. Retirement, Death or Bankruptcy and Valuation.**

- (a) A Partner may retire from the Partnership as of the end of any calendar year, provided he has given two months' advance written notice of his intention to the other Partner.
- (b) In the event of the retirement or death of a Partner, or the filing by or against a Partner of a petition in bankruptcy or other proceeding for protection against creditors which is not dismissed within 60 days thereafter (a "bankruptcy proceeding"), the remaining partner shall have the right either to purchase from the retiring, deceased or bankrupt Partner the value of his interest in the Partnership in accordance with paragraph (c) of this Section 9 or to terminate and liquidate the partnership business. If the remaining Partner elects to purchase the retiring, deceased or bankrupt Partner's interest, he shall serve written notice of such election within 30 days of the Effective Date, as defined in such paragraph (c), on such retiring or bankrupt Partner, or on the personal representative of such deceased Partner's estate (or on an heir of such deceased Partner if no personal representative has been appointed at such time).
- (c) For this purpose, the value of the interest of a retiring, deceased or bankrupt Partner shall be equal to such Partner's capital account at the date of his retirement, death or on the date on which a bankruptcy proceeding is filed by or against him (the "Effective Date"), which shall reflect his share of undistributed partnership profit or his share of Partnership loss for the period from the beginning of the fiscal year in which the Effective Date occurs until the end of the calendar month in which the Effective Date occurs. The purchase price, with interest at 7% on each installment from the end of the calendar month in which the Effective Date occurs, shall be paid in four semi-annual installments beginning six months after the end of the calendar month in which such the Effective Date occurs.

**10. Liquidation.**

- (a) If the remaining Partner does not elect to purchase the interests of a deceased, retiring or bankrupt Partner, the affairs of the Partnership business shall be wound up and liquidated as promptly as circumstances and orderly business practices will permit. After payment of expenses incurred, the net assets and the proceeds of liquidation shall be applied in the following order:

- (1) to the payment of the debts and liabilities of the Partnership to creditors other than Partners, and the expenses of the liquidation;



(2) to the payment of the debts and liabilities owing to the Partners other than for capital and profits;

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(3) to the payment to the Partners of their capital accounts;

(4) to the payment to Partners in accordance with profits which have not been previously distributed to Partners (provided that any negative balance in a Partner's capital account shall first be restored to 0 from such Partner's share of such profits or by payment to the Partnership of such amount by such Partner);

(5) to the payment to Partners in proportion to their respective shares of net profits and losses as set forth in Section 4 hereof.

(b) If the assets and proceeds of the liquidation are insufficient to pay all the items referred to in paragraphs (a), subparagraphs (1) and (2), then the Partners shall contribute in proportion to their respective shares of net profits and losses as set forth in Section 4 hereof to cover net losses of the Partnership and such additional capital shall be paid and applied to the satisfaction of the items covered by subparagraphs (1) and (2).

11. **Entire Agreement.** This Agreement supersedes all agreements previously made between the parties relating to its subject matter. There are no other understandings or agreements between them.

12. **Mediation.** The Partners agree to attempt to resolve any controversy or claim arising out of this Agreement first by mediation in accordance with the Commercial Mediation Rules of the American Arbitration Association. The cost of mediation shall be shared equally by the Partners and any decision reached by the Partners through mediation shall be reduced to writing, signed by them and shall be binding upon them.

13. **Arbitration.** Any controversy or claim arising out of this Agreement which is not resolved by mediation under Section 12 shall be resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, including the method of selecting the arbitrator. The resolution of the arbitrator shall be final and binding. The place of arbitration shall be agreed upon by the parties and, failing such agreement, shall take place in \_\_\_\_\_.

14. **Notices.** All notices under this Agreement shall be in writing and delivered personally or mailed by certified mail, postage prepaid, addressed to the parties at their last known addresses.

15. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon (State)

16. **Binding Effect.** Except as otherwise expressly provided herein, the provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective heirs and legal representatives.

IN WITNESS WHEREOF, the parties have signed this Agreement the day and year first above written.

State of Oregon, County of Klamath  
Recorded 12/23/99, at 2:59 p.m.  
In Vol. M99 Page 50447  
Linda Smith,  
County Clerk Fee \$ 15<sup>00</sup>

(Signature of Partner)

(Signature of Partner)

STATE OF OREGON,

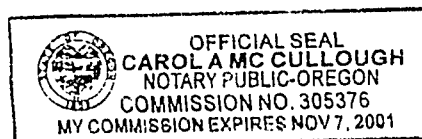
County of Klamath } ss.

FORM No. 23—ACKNOWLEDGMENT.  
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BE IT REMEMBERED, That on this 23 day of December, 1999  
before me, the undersigned, a Notary Public in and for the State of Oregon, personally appeared the within  
named Bryan D. Marsh and Gary C. Marsh

known to me to be the identical individual S described in and who executed the within instrument and  
acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed  
my official seal the day and year last above written.



Carol A. McCullough  
Notary Public for Oregon  
My commission expires Nov 7, 2001