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LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP

An Arizona Limited Partnership

PRIVATE PLACEMENT MEMORANDUM

DATED: August 1, 1985

PRIVATE PLACEMENT MEMORANDUM
DATED: August 1, 1985

CONFIDENTIAL
COPY NO. _____
NAME OF OFFEREE _____

LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP
An Arizona Limited Partnership

200 Units of Limited Partnership Interest - Maximum
50 Units of Limited Partnership Interest - Minimum

\$5,000.00 Per Unit
\$1,000,000.00 Maximum Offering
\$250,000.00 Minimum Offering

* * * * *

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE ARIZONA CORPORATION COMMISSION OR THE ARIZONA DIRECTOR OF SECURITIES, WHO DO NOT PASS UPON THE MERITS OF ANY SECURITIES NOR PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

THESE ARE SPECULATIVE SECURITIES.

La Paz Precious Metals Limited Partnership (the "Partnership") will be organized to raise capital to purchase a certain quantity of head ore bearing precious metal elements and to finance recovery operations to be undertaken by Arizona Chemical Co., an Arizona corporation controlled by the General Partners. The precious metals expected to be recovered from the head ore consist of gold, silver and platinum group elements. The head ore is located on the Mineral Hill Mine near Parker, Arizona (the "Property"), which is owned and controlled by Jobe Investment Co., an Arizona corporation, which is controlled by the General Partners. The metals will be recovered from stockpiles of ores which have been partially processed by having been mined, milled and crushed to 3/8 inch minus and by having had some copper values removed and from other stockpiles of ore which have not been chemically treated. The estimated tonnage of stockpiled ores available for such processing is in excess of 100,000 tons. Volumetric estimates are based on drilling and other sampling of the stockpiles and upon records of previous mining operations on the property. The General Partners will be Frederick E. Kallof and Billfred Co., an Arizona corporation, (the "General Partner" or "General Partners".) The General Partners, on behalf of the proposed partnership, have entered into an executory agreement with Jobe Investment Company to purchase said head ore and a non-exclusive license for use of part of Mineral Hill Mine property for processing of the head ore. The General Partners, on behalf of the proposed partnership, have also entered into an executory agreement with Arizona Chemical Co. to provide processing and marketing.

The General Partners are offering on a private placement basis a maximum of 200 and a minimum of 50 Units of limited partnership interest (the "Units") for a capital contribution of \$5,000.00 per Unit. Although the anticipated minimum

purchase is 2 Units, the General Partner may, in his discretion, accept subscriptions for single Units. All cash capital contributions paid by subscribers for the Units will be held in a trust account in the United Bank of Arizona until termination of the offering or until such time as a minimum of 50 Units are subscribed. All noncash capital contributions must be evidenced by a signed and enforceable executory contract between the subscriber and the General Partners on behalf of the limited partnership, which contract will come into force and effect upon formation of the limited partnership. The offering will terminate not later than June 30, 1986, unless extended for a period not to exceed thirty-one days. Unless a minimum of 50 Units are subscribed for before the termination of the offering, none will be sold, and all payments received will be refunded with interest and without deduction for any expenses of the Offering or commissions. If 50 units are sold and operations begun, the offering of further units may be suspended and resumed or ceased entirely, at the sole discretion of the General Partners.

Each Limited Partnership Unit (LPU) which has been sold whose owner is admitted to the Limited Partnership entitles the Limited Partnership to process seventy-eight (78) tons of head ore under the terms and conditions set forth in the contracts with Jobe Investment Co. and Arizona Chemical Co. The head ore has been the subject of extensive sampling, metallurgical testing and refining and is expected to yield at least enough precious metals to provide three hundred percent return for each LPU. However, of course, this return cannot be assured. Projections of return, production, recovery levels, etc. begin on page 1. The actual reports are included as Exhibit "K" to this Limited Partnership Offering. Each offeree, along with his investment advisor, should draw his own conclusions as to these results, tests and the suitability of this investment.

CAPITALIZATION

	Contributions of Investors	Maximum Fees to Selling Agent(1)	Net Proceeds to Partnership(2)
Per Unit	\$ 5,000.00	\$ 600.00	\$ 4,400.00
Total (200 Units)	\$ 1,000,100.00	\$ 120,000.00	\$ 880,100.00
Total (50 Units)	\$ 250,100.00	\$ 30,000.00	\$ 220,100.00

- (1) No underwriting fees or commissions will be paid on Units sold by the General Partner. However, the General Partner may engage one or more registered broker/dealers to assist in the Private Placement of the Units. Any commissions payable to such broker/ dealer would not exceed 12% of the capital contributions per Unit sold. All commissions would be paid from the proceeds of the private placement and are payable only after at least 50 Units have been sold and the General Partners elect to begin operations and form the partnership. (See "Selling Arrangements".)
- (2) Before deducting certain offering and organization expenses payable by the Partnership, with an agreed value of \$25,100.00, including attorneys' fees and other expenses related to the private placement, to be paid after the minimum number of subscriptions are accepted by the General Partners and after the General Partners determine to begin preparatory operations.

PRELIMINARY CONDITIONS TO
REVIEW OF THIS OFFERING

THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO ANY PERSON OTHER THAN THE PERSON WHOSE NAME APPEARS IN THE UPPER RIGHTHAND CORNER HEREOF WHO HAS SIGNED A RECEIPT. REPRODUCTION OR DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM IS STRICTLY PROHIBITED.

THE UNITS DESCRIBED HEREIN ARE SPECULATIVE SECURITIES INVOLVING A HIGH DEGREE OF RISK, INCLUDING MATERIAL INCOME TAX RISKS, SEVERE RESTRICTIONS ON TRANSFERABILITY OF THE UNITS, POTENTIAL CONFLICTS OF INTEREST BETWEEN THE PARTNERSHIP AND THE GENERAL PARTNERS AND CERTAIN ASSOCIATED COMPANIES. SEE "RISK FACTORS".

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE UNITS WILL BE OFFERED ONLY TO A LIMITED NUMBER OF QUALIFIED PERSONS WHO REPRESENT THAT THEY ARE PURCHASING FOR INVESTMENT AND NOT FOR RESALE. BECAUSE THE OFFER AND SALE OF THE UNITS ARE BELIEVED TO BE EXEMPT FROM REGISTRATION UNDER FEDERAL SECURITIES LAWS OR REGULATIONS, THE UNITS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY SUCH COMMISSION.

THE UNITS DESCRIBED HEREIN MAY BE SOLD TO A MAXIMUM OF THIRTY-FIVE (35) ARIZONA RESIDENTS WITHOUT REGISTRATION UNDER THE ARIZONA SECURITIES ACT, IN RELIANCE UPON THE EXEMPTION FROM SUCH REGISTRATION PROVIDED BY SAID ACT AND REGULATIONS THEREUNDER. THE SECURITIES MAY BE OFFERED AND SOLD IN OTHER STATES PURSUANT TO SIMILAR STATUTORY EXEMPTIONS IN SUCH STATES.

THIS MEMORANDUM INCLUDES SUMMARIES OF THE AGREEMENT OF LIMITED PARTNERSHIP AND VARIOUS OTHER EXECUTED AND UNEXECUTED DOCUMENTS, AND OF CERTAIN STATUTES, RULINGS AND/OR REGULATIONS. SUCH SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE ORIGINAL DOCUMENTS. COMPLETE ACCESS TO ALL PARTNERSHIP DOCUMENTS AND RECORDS WILL BE MADE AVAILABLE TO ANY PROPOSED INVESTOR OR HIS REPRESENTATIVE UPON REQUEST TO THE GENERAL PARTNERS.

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE MATTERS DISCUSSED HEREIN OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP OR THE GENERAL PARTNERS.

THE OFFERING WILL BE CLOSED UPON THE RECEIPT OF SUBSCRIPTIONS FOR THE 200 UNITS OFFERED HEREBY. HOWEVER, THE GENERAL PARTNERS MAY CLOSE OR SUSPEND THIS OFFERING PRIOR TO RECEIPT OF SUBSCRIPTIONS FOR 200 UNITS IF AT LEAST 50 UNITS HAVE BEEN SUBSCRIBED AND IF THEY DETERMINE IN THEIR SOLE DISCRETION, THAT THERE ARE SUFFICIENT ASSETS TO MEET THE OFFERING EXPENSES AND COMMENCE OPERATIONS. IF THIS OFFERING IS SUSPENDED, SALES OF UNITS MAY THEREAFTER BE RESUMED. UNTIL THE OFFERING IS CEASED ENTIRLY, OR ALL 200 UNITS ARE SOLD, PROFIT DISTRIBUTIONS, IF ANY, WILL BE MADE WITH EACH UNIT RECEIVING ONE-TWO HUNDREDTH OF THE DISTRIBUTION. UPON CEASATION OF THE OFFERING OR TERMINATION OF THE LIMITED PARTNERSHIP, ALL PROFITS WILL BE DISTRIBUTED TO THE LIMITED PARTNERS IN THE RATIO OF NUMBER OF UNITS OWNED TO THE TOTAL OUTSTANDING NUMBER OF UNITS. HOWEVER, TO INSURE FULL UTILIZATION OF TAX LOSSES INCURRED BY THE PARTNERSHIP, LOSSES WILL BE FULLY DISTRIBUTED TO OUTSTANDING UNITS AT THE END OF THE TAX YEAR, WITHOUT RESERVE FOR POSSIBLE ADDITIONS OF LIMITED PARTNERS AND UNIT SALES.

CASH FUNDS PAID BY SUBSCRIBERS WILL BE DEPOSITED IN TRUST WITH THE UNITED BANK OF ARIZONA. IF OPERATIONS ARE NOT COMMENCED BEFORE TERMINATION OF THIS OFFERING, ALL SUCH FUNDS WILL BE REFUNDED WITH INTEREST COMPUTED AT THE RATE PAID BY THE BANK. NO COMMISSIONS WILL BE PAID OR DEDUCTED FROM THESE ASSETS UNTIL AND UNLESS THE GENERAL PARTNERS DECIDE THAT SUFFICIENT FUNDS ARE AVAILABLE TO BEGIN OPERATIONS, AT WHICH POINT SUBSCRIBERS WHO HAVE BEEN ACCEPTED WILL BE ADDED TO THE PARTNERSHIP AND THE INITIAL LIMITED PARTNERS WILL LEAVE THE LIMITED PARTNERSHIP. THE GENERAL PARTNERS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO ACCEPT OR REJECT ANY SUBSCRIPTIONS TO PURCHASE UNITS AND TO CONTROL THE DATE OF ANY SUCH ACCEPTANCE.

THE GENERAL PARTNERS, IN THEIR SOLE DISCRETION, MAY ACCEPT CONTRACTS FOR THE SALE OR LEASE OF EQUIPMENT, FIXTURES OR OTHER TANGIBLE ASSETS OR FOR SERVICES TO BE RENDERED, IN LIEU OF CASH AS ALL OR PART OF THE CONSIDERATION FOR THE PURCHASE OF LIMITED PARTNER UNITS. SUCH CONTRACTS MUST BE IN WRITING AND SIGNED BY THE SUBSCRIBER AND SHALL BECOME ENFORCEABLE BY THE LIMITED PARTNERSHIP UPON ITS FORMATION. IN THEIR ACCEPTANCE OF A NONCASH SUBSCRIPTION, THE GENERAL PARTNERS SHALL STATE THE VALUE TO BE ALLOWED TO THESE ASSETS AND SHALL ALLOCATE A SUFFICIENT NUMBER OF UNITS TO THE LARGEST WHOLE UNIT IN MULTIPLES OF \$5,000.00. ANY AMOUNT OVER AND ABOVE THE VALUE OF THE UNITS MAY BE PAID BACK BY THE LIMITED PARTNERSHIP AS A LIMITED PARTNERSHIP OPERATING EXPENSE OR THE SUBSCRIBER MAY MAKE UP THE DIFFERENCE IN CASH, OR IN SUCH OTHER MANNER AS THE GENERAL PARTNERS DETERMINE. THE CONTRACT AND SUBSCRIPTION BETWEEN SUCH SUBSCRIBERS AND THE GENERAL PARTNERS SHALL VALUE THE NONCASH CONTRIBUTIONS AT THE FAIR MARKET VALUE THEREOF. NONCASH SUBSCRIPTIONS MAY BE SOLD EITHER BY THE GENERAL PARTNERS, OR BY ANY OTHER SELLING AGENT. IF OPERATIONS ARE NOT COMMENCED AND THE LIMITED PARTNERSHIP IS NOT FORMED, THESE EXECUTORY CONTRACTS WILL BE RESCINDED.

PROSPECTIVE INVESTORS SHOULD NOT RELY ON THE CONTENTS OF THIS MEMORANDUM OR ANY COMMUNICATION, WHETHER WRITTEN OR ORAL, FROM THE PARTNERSHIP OR ITS GENERAL PARTNERS, EMPLOYEES OR AGENTS, AS LEGAL TAX, ACCOUNTING OR OTHER EXPERT ADVICE. EACH INVESTOR SHOULD CONSULT HIS OWN COUNSEL, ACCOUNTANTS, AND OTHER PROFESSIONAL ADVISORS AS TO LEGAL, TAX, ACCOUNTING AND RELATED MATTERS CONCERNING HIS INVESTMENT.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK (SEE "RISK FACTORS") AND, CONSEQUENTLY, A PURCHASE OF UNITS SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD A TOTAL LOSS OF THEIR INVESTMENT.

AN INVESTMENT IN THE PARTNERSHIP IS AVAILABLE ONLY TO PURCHASERS WHOSE NET WORTH IS EQUAL TO AT LEAST TWO HUNDRED THOUSAND (\$200,000) DOLLARS (EXCLUSIVE OF HOME, HOME FURNISHINGS, AUTOMOBILES AND ANY INVESTMENT IN THE PARTNERSHIP) AND EXPECTS TO HAVE TAXABLE INCOME IN 1985, SOME PORTION OF WHICH WILL BE SUBJECT TO FEDERAL INCOME TAX AT A RATE OF FIFTY (50%) PERCENT OR HIGHER (DETERMINED WITHOUT REGARD TO HIS INVESTMENT IN THE PARTNERSHIP). SEE "INVESTOR SUITABILITY REQUIREMENTS" FOR CERTAIN REPRESENTATIONS AND WARRANTIES WHICH A PURCHASER WILL BE REQUIRED TO MAKE WITH RESPECT TO HIS SUITABILITY AS AN INVESTOR.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR INFORMATIONAL PURPOSES FROM SOURCES DEEMED RELIABLE, AND ONLY A LIMITED NUMBER OF PROSPECTIVE PURCHASERS WILL RECEIVE THIS MEMORANDUM. IT MAY NOT BE EXHIBITED OR DELIVERED, TO ANY PERSON OTHER THAN YOUR PROFESSIONAL ADVISORS, NOR REPRODUCED IN ANY FASHION, IN WHOLE OR IN PART, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNERS.

NO REPRESENTATIONS, WARRANTIES OR ASSURANCES OF ANY KIND ARE MADE OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN AND/OR THE TAX ADVANTAGES WHICH MAY ACCRUE TO A LIMITED PARTNER.

THERE CAN BE NO ASSURANCE THAT THE ANTICIPATED INCOME TAX TREATMENT OF AN INVESTMENT IN THE PARTNERSHIP MAY NOT BE MODIFIED OR ELIMINATED BY LEGISLATIVE, JUDICIAL OR ADMINISTRATIVE ACTION AT ANY TIME OR THAT THE INTERNAL REVENUE SERVICE, IF IT CHALLENGES ANY DEDUCTIONS ANTICIPATED TO BE CLAIMED BY THE PARTNERSHIP AND ITS PARTNERS, WILL NOT BE SUCCESSFUL IN DISALLOWING PART OR ALL OF SUCH DEDUCTIONS.

THIS INVESTMENT IS MORE SUITABLE FOR THOSE PERSONS DESIRING PROFIT RATHER THAN "TAX SHELTER" OR "TAX SAVING". HOWEVER, THE LIMITED PARTNERSHIP WILL REGISTER WITH THE IRS AS A "TAX SHELTER" UNDER THE TAX REFORM ACT OF 1984. THE LIMITED PARTNERSHIP WILL BE ASSIGNED A REGISTRATION NUMBER WHICH MUST BE INCLUDED ON ANY INVESTOR'S INDIVIDUAL TAX RETURNS WHEN REPORTING PROFIT OR LOSS FROM THE LIMITED PARTNERSHIP.

THIS PRIVATE PLACEMENT IS BEING MADE TO A LIMITED NUMBER OF INVESTORS. THE UNITS OFFERED HEREBY ARE NOT BEING REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED ("THE ACT") AND RULES PROMULGATED THEREUNDER AND SIMILAR EXEMPTION PROVISIONS CONTAINED IN THE SECURITIES LAWS OF THE STATES IN WHICH THIS PRIVATE PLACEMENT IS BEING MADE. PURCHASERS OF UNITS WILL BE REQUIRED TO REPRESENT TO THE PARTNERSHIP THAT THE UNITS ARE BEING ACQUIRED FOR INVESTMENT ONLY. THE UNITS PURCHASED HEREUNDER CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE ACT OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

IN ADDITION, THE PARTNERSHIP AGREEMENT SPECIFICALLY RESTRICTS THE TRANSFER OF UNITS AND OF INTERESTS IN THE PROFITS AND CASH FLOW OF THE PARTNERSHIP. WHEN AND IF THIS OFFERING IS COMPLETED, THERE WILL BE NO PUBLIC MARKET FOR THE UNITS OFFERED HEREBY. CONSEQUENTLY, INVESTORS WILL CONTINUE TO BEAR THE ECONOMIC RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD.

EACH INVESTOR IS HEREBY GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE GENERAL PARTNER OR OTHER PERSONS ACTING ON HIS BEHALF CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. ANY PROSPECTIVE INVESTOR HAVING ANY QUESTIONS WHATSOEVER REGARDING THE PARTNERSHIP OR DESIRING ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM, SHOULD WRITE TO THE GENERAL PARTNER AT POST OFFICE BOX 7765, PHOENIX, ARIZONA 85011 OR CALL THE PARTNERSHIP AT 602-285-0923.

ANY PERSON WHO PURCHASES THE SECURITIES OFFERED HEREBY SHALL HAVE THE UNQUALIFIED AND UNWAIVABLE RIGHT TO RESCIND SUCH PURCHASE WITHIN THREE BUSINESS DAYS OF HIS EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE ANY SECURITIES OFFERED HEREBY, THE DELIVERY OF A CONFIRMATION OF SALE, OR THE PAYMENT FOR ANY SECURITIES OFFERED HEREBY OR THE EXECUTION OF AN EXECUTORY CONTRACT FOR NONCASH CONTRIBUTIONS, WHICHEVER SHALL OCCUR FIRST.

RESCISSION MAY BE ACCOMPLISHED BY COMPLETING AND DELIVERING THE FORM PROVIDED IN THIS MEMORANDUM AS EXHIBIT "G".

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Partnership will also ratify an executory agreement with Arizona Chemical Company for its services to develop process techniques and recovery technology. Arizona Chemical Company may contract for the services of a mining company or professionals for actual operating or marketing activities. All or part of the processing will be done on land owned or controlled by Jobe, pursuant to a non-exclusive license.

Other Provisions of the Partnership Agreement 24

The offering involves the private placement by the General Partners or the selling agent of a maximum of 200 and a minimum of 50 units of Limited Partnership interest (the Units) in a Limited Partnership to be formed under the law of the State of Arizona, with persons who qualify in terms of investment expertise and financial capability. If, at or prior to June 30, 1986, (or July 31, 1986, if the General Partners elect to extend the offering) a minimum of 50 Units offered hereby have not been subscribed and accepted, the offering will terminate and all funds will be returned to subscribers with interest and without deduction for expenses or commissions.

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Exhibits Appendix

- A Investor Qualification Letter
- B Offeree Representative Questionnaire
- C Certificate and Agreement of Limited Partnership
- D Subscription Agreement
- E Admission Amendment
- F Subscription Instructions
- G Recission Information and Letter
- H Map Showing Location of Mineral Hill Mine
- I Aerial Photograph of Mine (circa 1970)
- J Summary Report on Mineral Hill Property, La Paz County, Arizona, dated January 21, 1985, by Alvin C. Johnson, Jr., Ph.D., Exploration Geochemist
- K Assay Reports
 - (1) A.S.T. Laboratories, Inc.
 - (2) Bahamian Refining Corp.
 - (3) Copper State Analytical Lab., Inc.
 - (4) North American Laboratories, Inc.
 - (5) Spectrum Refining and Casting, Inc.
- L Tax Shelter Registration Number

PROJECTIONS

Based upon the foregoing assays and metallurgical reports, the General Partners expect each ton of head ore to contain precious metal values of about \$500.00 per ton. Additional testing and preliminary operations are in process. The values will vary from ton to ton, and, as explained in the body of the prospectus, there is no assurance or representations that these values do in fact exist or may be recovered in saleable form from the ore. Similarly, the General Partners expect certain tax treatment of expenditures, but there is no assurance that the IRS or the Courts will uphold the treatment. Every potential investor must form his own opinion, with his investment advisor, if necessary, regarding the viability and validity of the conclusions stated herein.

PRODUCTION ASSUMPTIONS AND EXPECTATIONS

Production Level	Circa 100 tons of head ore per day after 90 to 180 days of preliminary operations, plant assembly, process development, etc. approximately 300 operating days per year should be had.
Precious Metals Values	\$500.00 per ton of head ore is anticipated from gold and silver values. If platinum group elements are recovered as indicated in some of the reports included in Exhibit "K" hereto, this value may be multiplied several times.
Recovery Rate	Eighty percent (80%) of total head ore precious metal content.
Partnership Tonnage	78 tons for each limited partnership unit sold, or a maximum of 15,600 tons.
Process Royalties	If a previously developed recovery process is used in production a process royalty of up to two percent (2%) of the gross value per ton may be required. This will be an operating cost when production operations are begun and an expense before production during preliminary operations.
Operating Costs	From the revenues generated by production operations, approximately thirty percent (30%) of the recoverable head ore values will be expended in operating costs. This does <u>not</u> include uses of the capital contributions. Operating costs include, but are not limited to: (a) operators fee due Arizona Chemical Co., (b) utilities, (c) chemicals and supplies, (d) research and process development, (e) process royalties, (f) maintenance and repair, (g) additional equipment, (h) professional services and (i) operating reserves. These expenditures are to be made in the sole discretion and control of the operator, Arizona Chemical Co.
Refining Costs	From the revenues generated by production operations, approximately twenty percent (20%) will be expended in refining costs, including, but not limited to: (a)

transportation from the mine to the refiner, (b) insurance, (c) refining charges.

Limited Partnership Operating Costs

From the revenues generated by production allocable to the limited partnership, approximately two percent (2%) will be Limited Partnership operating costs, including, but not limited to (a) accounting fees, (b) legal fees, (c) office supplies and equipment, and (d) general partners fees.

Formula for Net Revenues Allocable to Limited Partners

Gross Value Per Ton Head Ore	\$	500.00
MINUS Process Royalty (2%)		10.00
MINUS Recovery Loss (20%)		100.00
EQUALS Recoverable Value Per Ton	\$	390.00

MINUS Operating Costs (30%)	\$	117.00
MINUS Refining Costs (20%)		78.00
MINUS General Partner's Share (1%)		3.90
		<u>198.90</u>

EQUALS Expected Net Revenues Per Ton Per Limited Partnership Unit	\$	191.90
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Formula for Return to Limited Partnership Unit

Net Revenues Per Ton Per Limited Partnership Unit	\$	191.90
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Tonnage Per Limited Partnership Unit	<u>78</u>
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Return to a Limited Partnership Unit (Before Taxes, Limited Partnership Expenses and General Partner's Fees)	\$14,968.20
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Percentage Total Return	299.364%
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Payback Period

If the production level of 100 tons per day is reached (50% of which is allocable to the Limited Partnership, 50% to Jobe Investment Co.) and the expected values shown above are recovered, the Limited Partnership's investment at full capitalization (\$1,000,000.00) will be paid back in approximately 104.25 operating days, and the Limited Partnership's entire tonnage of head ore will be processed in approximately 312 operating days.

Return on Investment

The Limited Partnership's return on investment cannot be determined due to uncertainties in the production scheduling and the actual precious metals values that will be recovered. As explained above, this Offering Memorandum was structured and designed to give a return of approximately three times investment in about a year, plus tax deductions. If production is accelerated or the precious metal values are greater than \$500.00 per ton, a higher return will be achieved and vice-versa.

EXPECTED DEDUCTIONS

Based upon the expected uses of the Limited Partnership's capital contributions, as shown in the "Sources and Uses" section of the Offering Memorandum, page 6, and the expected uses of production revenues noted above, the General Partners expect substantial deductions to accrue to the Limited Partnership. The expected tax treatment for these various uses are described generally in the "Risk Factors" and "Partnership Business" sections of the Offering Memorandum. Because it is unknown how much of the expenses must be capitalized, and what the ore valuation and metal content are (and therefore the appropriate depletion deductions), the expected deductions cannot be quantified. Moreover, the Limited Partnership Agreement gives the General Partners discretion to pick accounting methods, tax treatments, etc., which have not been made and cannot rationally be made at this time. Consistent with their obligations, duties and discretion, and the law, the General Partners will try to accelerate the taking of all deductions.

SUITABILITY STANDARDS

A PURCHASE OF UNITS INVOLVES A HIGH RISK AND IS NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE "RISK FACTORS".

Each person to whom one or more Units will be sold must meet certain "suitability" requirements set forth below, and must represent in writing, among other things, that, in connection with evaluating the merits and risks of an investment in the Partnership, either he himself has knowledge and experience in financial and business matters generally, and in tax-oriented investments in particular, that he is capable of evaluating the merits and risks of an investment in the Partnership, or he is represented by an offeree representative, qualified under the conditions set forth below.

An offeree representative must represent in writing that he (i) has knowledge of and experience in financial and business matters generally, and in tax-oriented investments in particular, (ii) is capable of evaluating the merits and risks of an investment in the Partnership and (iii) is familiar with the financial and tax position and plans of the offeree.

There is no established market for the Units. Because there will be only a limited number of investors and significant restrictions on the transferability of Units, it is extremely unlikely that a market for the Units will develop. The Units have not been registered under the Securities Act of 1933, as amended, and therefore cannot be sold unless either they are subsequently registered under that Act or, in the opinion of counsel to the Partnership, an exemption from such registration is available. Accordingly, a purchaser of Units must bear the economic risk of an investment in the Units for an indefinite period of time.

Investment in the Units is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in such an investment, and who are capable of bearing risk of loss of all or part of their investment.

Units will be sold only to persons representing in writing that, among other things, (i) they have a net worth (exclusive of home, home furnishings, automobiles and the amount to be invested by them in the Partnership) in excess of \$200,000 and (ii) they expect to have, during the current tax year, taxable income (exclusive of the effect of any investment in the Partnership) a portion of which will be subject to federal income taxation at a rate of 50% or greater.

This investment is more suitable for those persons desiring profit rather than "tax shelter" or "tax savings", although the Limited Partnership will register with the IRS as a "tax shelter" under the Tax Reform Act of 1984.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

SOURCES AND USES OF PARTNERSHIP CAPITAL

SOURCES

The following table illustrates the anticipated sources of Partnership capital in cash or in kind:

<u>Capital Contributions</u>	<u>200 Units</u>	<u>50 Units</u>
Limited Partners	\$1,000,000	\$250,000
General Partner	\$ 100	\$ 100
Total	<u>\$1,000,100</u>	<u>\$250,100</u>

Limited Partners. The Limited Partners may subscribe for a minimum of \$250,000 and a maximum of \$1,000,000 in capital contributions. All Limited Partners' capital contributions will be paid as an executory contract offered at the time a subscription is submitted for acceptance.

General Partners. The General Partners will contribute to the Partnership a cash capital contribution of \$100. The General Partner's cash contribution will be paid upon formation. Other than ultimate liability for the obligations of the Partnership, the General Partner will not be required to make any additional capital contribution.

USES

As more fully described below, the following table illustrates the anticipated initial uses of Partnership capital upon the determination of the General Partners to form the limited partnership stated at maximum and minimum capital levels. All items shown in Part I below are either fixed in absolute dollar amounts (offering and organizational expenses to date of formation, first year general partner fees and limited partnership expense reserve) or in percentages (commissions and initial payment to Jobe Investment Co.).

All items shown in Part II below are estimates only and may not be actually spent in the amounts or order shown. These items may be in cash or in kind. All items in Part II will be paid or transferred to the order and use of Jobe Investment Co. and/or Arizona Chemical Co. upon formation of the limited partnership, ratification of the contracts with Jobe Investment Co. and Arizona Chemical Co. and the decision of the General Partners to begin operations.

Because it is in sole control of the property and recovery operations, Arizona Chemical Co. will have complete control and authority over the use or nonuse of these items. The limited partnership will retain control over these items only in that Arizona Chemical Co. will account for all expenditures.

Regardless of the capital level at which the limited partnership is formed and operations commenced, Part I items will be paid first to their full dollar or percentage amounts, and any balance will be allocated to Part II and paid or transferred in total to the operator, Arizona Chemical Co. Afterwards, if additional units are subscribed for and accepted, such units' capital contributions will be used first to make the percentage payments set forth in Part I, then, in the General Partners' sole discretion, to bring the limited partnership expense reserve account up to a total of no more than \$10,000, and the balance will be allocated to Part II and paid in total to the operator, Arizona Chemical Co. If the consideration for these additional units is not cash, the percentage items

shown in Part I below may be paid from the limited partnership expense reserve or otherwise as the General Partners may determine.

The items set forth below pertain only to uses of contributed capital. The General Partners and/or the operator, Arizona Chemical Company may make other uses and reserves from funds generated by operations in addition or substitution for the items stated below.

<u>Use</u>	<u>Maximum Subscriptions Sold (%)</u>	<u>Minimum Subscriptions Sold (%)</u>
PART I. <u>FIXED AND ORGANIZATIONAL EXPENSES</u>		
Offering & Organizational Expenses (to Date of Formation)	\$ 25,100 (2.5%)	\$25,100 (10%)
Limited Partnership Expense Reserve	10,000 (1.0%)	10,000 (4%)
First Year General Partners Fee (Payable on Formation)	25,000 (2.5%)	25,000 (10%)
Commissions (12%)	120,000 (12%)	30,000 (12%)
Initial Payment to Jobe Investment Co. (10% of each unit capital contribution)	200,000 (20%)	50,000 (20%)
PART II. <u>ANTICIPATED OPERATING EXPENSES</u>		
Equipment & Engineering	370,000 (37%)	50,000 (20%)
Research & Process Development & Technology License Royalties	145,000 (14.5%)	50,000 (20%)
Working Capital	105,000 (10.5%)	10,000 (4%)
	<u>\$1,000,100 (100%)</u>	<u>\$250,100 (100%)</u>

Offering and Organizational Expenses. Attorneys' fees, accountant fees, printing costs, and the expenses of qualification of the sale of the Units under certain state laws, including taxes and filing fees, will be paid from partnership capital to reimburse the General Partners for these items. The amount of \$25,100 is hereby determined between the limited partnership and the General Partners as an accord and satisfaction of these items, as the amounts involved may change from the date this offering memorandum is written to the date the partnership is formed. David R. Mika, attorney at law, has rendered legal services and prepared this offering memorandum. He is employed by the Law Office of Frederick E. Kallof, P.A. The sum of \$15,000 will be paid for attorney fees

upon formation of the partnership and commencement of preparatory operations. Any partnership operational expenses which occur after formation will be operating expenses to the partnership, to be deducted from partnership income and paid before any disbursements are made to limited or general partners. The general partners may establish and maintain reasonable reserves for these expenses not to exceed \$10,000.00.

General Partners Fee. The General Partners will receive jointly an annual fee payable on formation and on the anniversary of formation as compensation for administering the operations of the Partnership. This fee will be \$25,000 for the first year of operations. The amount of such fee thereafter will be \$50,000 per annum. In addition, the General Partners will receive one percent (1%) of the Limited Partnership's profits, cash flow, property distributions, income, loss, deductions and/or tax credits. Upon certain events of termination, the General Partners will be entitled to keep the Limited Partnership's remaining assets as additional fees. (See Exhibit "C", the "Limited Partnership Agreement" and "The General Partners - Compensation".)

Payments to Jobe Investment Co. Under its executory contract with the limited partnership, Jobe Investment Co. will make available various nonmonetary resources towards the success of the metals recovery operations contemplated by this offering. Jobe Investment Co. owns the ore stockpiles part of which will be sold to the Limited Partnership. Jobe Investment Co. owns or controls the land on which operations will take place. Jobe Investment Co. will allow non-exclusive use under license of whatever physical facilities are already in place that may be beneficial to the operations, such as roads, water lines, utility improvements, water rights, leaching tanks and ponds, and so forth. These improvements would cost more than \$1,000,000 to replace. Furthermore, the stockpiled ore to be processed has been mined, milled and crushed to 3/8 inch minus, which would cost approximately \$20 per ton to do today. The stockpiled ores have been drilled to determine the tonnage in place. Preliminary work to date has been on random sampling of these stockpiles.

In consideration for the sale of its ore reserves, Jobe Investment Co. will be paid an initial cash payment of twenty percent (20%) of all capital contributions to the limited partnership. The initial payment will be made when the partnership is formed and the contract with Jobe is ratified. Thereafter, whenever any additional unit's subscription is accepted, Jobe will be paid twenty percent (20%) of that unit's capital contribution and the Limited Partnership will gain the right to process an additional seventy-eight (78) tons of ore for each such unit.

Jobe has done extensive preliminary work to ascertain the quality of the ore, including pilot plant operations leading to some small scale test production. Independent assays and laboratory analysis of the head ore and concentrates are included as Exhibit "K". Although these test results vary, it is the opinion of the General Partners and Jobe Investment Co. that the head ore should contain at least Five Hundred Dollars (\$500.00) per ton gross value. Projections based on these operations and test results begin at page 1, supra.

Estimated valuations and projections stated in this Memorandum and Exhibits are not proven facts. The only representations hereby made are that the work described herein was done and the test results contained in Exhibit "K" were actually reported. No one can guarantee that the assays were correctly performed, accurately reported or that the expected production can or will be obtained. It is important to note that simply because test results show certain elements and

metals are present in head ore does not mean that they can be economically extracted and refined to saleable metallic form. The partnership anticipates that considerable amounts of it's revenues will be spent on research and development of extraction process technology and pilot operations by the operator, Arizona Chemical Co. Some of the processes and ore treatments are known and some are novel and yet to be perfected or put into practice in the field. Sums spent on research and development are expected to constitute direct deductions to the Limited Partnership in the year they are made under IRS Code §§ 174, 616 or 617.

Jobe has also been conducting pilot operations on the Property. Actual 2 ton/day runs have been made which have produced a concentrate which is currently being analyzed by independent laboratories. (See Exhibits "J" and "K") Jobe Investment Co. will contribute to the mineral recovery operations all existing trade secrets, flow-charts, technical reports, formulas, processes and the like, which will probably need further development, and will allow use of it's ore in process development. The limited partnership's ore will not be processed during preliminary operations. Jobe Investment Co. will be paid or reimbursed the reasonable value of all physical property, such as equipment, fixtures, chemicals and supplies that the operator, Arizona Chemical Co., chooses to use.

Jobe Investment Co. will be under no obligation, but will have the right to have processed, along with the processing of the Limited Partnership's ore, an equal tonnage of it's own ore in each day's operations, once actual recovery operations for production are commenced. In essence, Jobe Investment Co. will be entitled to one-half of every day's gross tonnage processed, and the corresponding one half of any profit, but shall not be responsible for costs of operation, other than out of production, or any losses, which shall be borne by the limited partnership. The other one-half of every day's gross tonnage will be the ore allocated to the Limited Partnership. Identification of the Limited Partnership's ore, therefore, will not take place until production is had. Arizona Chemical Co. may be the operator itself or subcontract part or all of the work.

Copies of the contract with Jobe Investment Co. are available for inspection by qualified investors at the office of the General Partners.

Operator - Arizona Chemical Co. Under an executory contract with the Limited Partnership, Arizona Chemical Co. will continue for the Limited Partnership the process development and pilot plant operations it is currently engaged in for Jobe Investment Co. The executory contract will become enforceable upon ratification of it by the Limited Partnership. A certain proportion of the contract fee to Arizona Chemical Co. will be allocated to research and development of the metals recovery process in a pilot operation. Royalties for licenses of existing extraction technology process(es) used may be made by the operator, Arizona Chemical Company, as a production expense. Although the general partners believe that all payments to Arizona Chemical Co. until actual production is begun with the Limited Partnership's ore will constitute research and development deductions passing through in the year incurred to the limited Partnership under IRS Code §§ 174, 616 or 617, there is no guarantee that the IRS or the Courts will agree. See, "Risk Factors" and "Partnership Business".

When the operator, in his sole judgment and discretion, deems it feasible to begin production, processing of the Limited Partnership's and Jobe Investment Co.'s ore will begin. Arizona Chemical Co. may do any or all of the work, or may subcontract all or any part thereof. Arizona Chemical Co. shall have complete control over the details of process development, research, pilot and actual

operations, marketing and all other acts incident thereto.

Arizona Chemical Co. will receive the amounts listed in Part II of the Uses of Capital Table previously set forth, and is required to deposit this money into a segregated account and to account to the Limited Partnership for all expenditures to contracts for delivery of goods or services received by the Limited Partnership from unit sales will be assigned to Arizona Chemical Co. Arizona Chemical Co. may also set aside part or all of production revenues into this segregated account for use as reserves towards production expenses. Arizona Chemical Co. may purchase assets from Jobe Investment Co. at their reasonable value. Arizona Chemical Co., itself, will not be entitled to any part of the Limited Partnership's capital contributions as a fee, but may use them to pay it's expenses relating to the minerals recovery operations, such as salary, consultants fees, utilities, supplies, etc. Arizona Chemical Co. may take title to any property or equipment purchased with the Limited Partnership's monies in it's own name or otherwise, or may so lease equipment. For it's operator's fee, Arizona Chemical Co. will be entitled to twenty percent (20%) of the gross value of all recovered precious metals, if, as and when recovered, as an operating expense to be deducted as an operating expense before allocation of profit for Jobe Investment Co.'s and the Limited Partnership's respective interests in the tonnage of ore processed. (See Exhibit "K").

Commissions. The Units may be offered on a best efforts basis by a limited number of registered and participating brokers/dealers (the "Selling Agent"). The Partnership may pay commissions up to twelve percent (12%) of the capital contributions of the units. Notwithstanding the foregoing, the Partnership may pay less than twelve (12%) percent commissions in those states which restrict commissions to a lower percent. Sales are not final until accepted by the General Partners. Commissions will be paid only if the limited partnership begins operations.

Capital for Full Scale Production

In the event the General Partners determine that Arizona Chemical Co.'s decision to expand the level of its production operations is economically feasible, and that additional capital is needed, the General Partners may elect, in their sole discretion, to resume or continue to offer additional unsold limited partnership units for sale to additional offerees to raise any needed capital, even after June 30, 1986. The General Partners may also seek to borrow such capital or seek to modify it's agreements with Jobe Investment Co. and/or Arizona Chemical Co.

Sharing of Costs and Revenues Between Limited and General Partners.

The Partnership Agreement provides that after payment of partnership's operational expenses, all items of cash flow, property distributions, income, loss, deduction and/or tax credit to the partnership will be allocated 99% to the Limited Partners and 1% to the General Partners jointly. Any recapture of investment tax credit or previously taken depreciation deductions resulting from a capital transaction, such as a sale or other disposition, will also be allocated 99% to the Limited Partners and 1% to the General Partners jointly.

Distribution Procedures

When the General Partners decide a distribution should be made, they shall declare a particular date and time as the record date. No special notice of this announcement or the record date need be given to a limited partner; it is sufficient if he is notified of these events after the fact, when distribution is made

to him or any other limited partner. Any transferee of a limited partnership unit is at risk that a distribution may be made to his transferor under these provisions before notice of the transfer is given to the limited partnership and the transferee is accepted and becomes a substituted limited partner. Said transferee has no recourse against the Limited Partnership.

The Limited Partner's share will be distributed to such Limited Partners as are shown on the limited partnership records on the record date and time as have been officially admitted to the limited partnership by amendment to the limited partnership certificate.

Each Limited Partnership Unit (LPU) which has been validly issued whose owner has been admitted to the Limited Partnership creates the right of the Limited Partnership to process seventy-eight (78) tons of head ore under the Limited Partnership's purchase agreement and license with Jobe Investment Co., provided all terms and conditions of that contract have been fulfilled. The net proceeds of production from any tonnage attributable to the Limited Partnership shall be held by the General Partners in a partnership account or accounts pending distribution or other use of the funds. When the General Partners have declared a distribution is to be made, each LPU will receive one-two hundredths ($1/200$) of the amount of such distribution. Any amounts not distributed in a given distribution because of the fact that all 200 LPUs may not have then been issued to an admitted Limited Partner shall be kept in the partnership account(s). When the entire tonnage of head ore which the Limited Partnership is entitled to process under its purchase agreement and license with Jobe Investment Co. has been processed, and the net profits therefrom have been received by the Limited Partnership, the General Partners may terminate the Limited Partnership and distributions to the Limited Partners may be made in the ratio of the LPUs held by each Limited Partner to the total number of LPUs validly issued and outstanding owned by admitted Limited Partners. Similarly, if, at any time prior to dissolution, the General Partners determine to cease the offering for sale of additional LPUs, and record an amendment to the articles providing that the offering is completed terminated and a given number of Limited Partnership Units are outstanding, then any further distributions to the Limited Partners shall be made in the ratio of the LPUs held by each Limited Partner to the total number of LPUs validly issued and outstanding, as shown in the amendment.

The General Partners shall have sole discretion as to amounts and timing of distributions. The General Partners have the discretion to retain in the partnership any funds or other assets that might be available for distribution as they determine may be in the best interests of the partnership. Distributions to General Partners and Limited Partners (as a group) may be made at different times.

THE GENERAL PARTNERS

Biography

The activities of the partnership will be managed and controlled by its General Partners, Frederick E. Kallof, and Billfred Co., an Arizona corporation, an affiliate of Frederick E. Kallof.

Frederick E. Kallof is 58 years of age and has resided in Arizona for 40 years. He graduated from the University of Arizona at Tucson with a Bachelor of Arts Degree. He graduated from Baylor University School of Law, Waco, Texas, and received a Juris Doctor degree. Mr. Kallof has been an active, practicing lawyer in Arizona for 30 years. Along with his law practice, he has been involved in diverse business activities including real estate and mineral property. He has engaged in exploration and mining activities for over 20 years.

Billfred Co., an Arizona corporation, will be a general partner giving continuity to the Partnership in the event of the death, disability or resignation of an individual General Partner.

Compensation

The General Partners will receive the following payments, allocations and other compensation from the Partnership, to be divided between them as they agree between themselves.

1. Interest in the Partnership. In exchange for their \$100.00 contribution to capital and liability of a General Partner, the General Partners will receive one percent (1%) of all revenues, cash flow, property distributions, income, loss, deductions and/or tax credits to the partnership. The General Partners' interest in the Partnership and rate of return is disproportionately higher than the interests to be received by the Limited Partners for their capital contributions.

2. General Partner Fee. For services rendered in connection with administering the operations of the Partnership, the General Partners jointly will receive a fee of \$25,000.00 per annum for the first year payable on the date the limited partnership is formed. Thereafter, the fee shall be \$50,000 per year payable on the anniversary of formation. These fees shall be an operational expense to the partnership. Upon certain events of termination, the General Partners may become entitled to keep any Limited Partnership equity in Limited Partnership assets as additional compensation and fees. See Exhibit "C", the "Limited Partnership Agreement".

3. Expense Reimbursement. The General Partners shall be reimbursed in the amount of \$25,100 for certain expenses, including legal fees due David R. Mika, Attorney at Law, accounting, printing and other miscellaneous expenses incurred in organizing the Partnership. After the partnership is formed all other operational expenses of the partnership shall be paid by the partnership directly or reimbursed to the General Partners.

Conflicts of Interest

Various transactions engaged in or to be engaged in between the Partnership and the General Partners or companies with which they are associated involve

potential conflicts of interest. While the nature of these conflicts vary, the risk exists that they could be resolved in a manner more favorable to the General Partners or these associates than to the Limited Partners. However, as discussed below, the General Partners have a fiduciary duty to conduct the affairs of the Partnership in the best interests of the Partnership and the Limited Partners and to act with integrity and in good faith in all matters relating to the business of the Partnership, including the resolution of such conflicts. Depending on what a court construes the relationship between Jobe Investment Co. and/or Arizona Chemical Co. and the partnership to be, Jobe Investment Co. and/or Arizona Chemical Co. may or may not owe the partnership similar duties.

Transactions between the Partnership and affiliates of the General Partners may not necessarily be considered as having been negotiated at "arm's length". Although the General Partners believe that all such transactions are fair to the Partnership and that the Partnership will pay no more than the fair value of the services to be performed, it is arguable that the fees and other compensation being paid to the General Partners and the prices being charged by certain associated entities for various services rendered to the Partnership may be in excess of the amounts which would be charged by an independent party. No bids or quotes for such services have been obtained from independent parties, and the Partnership Agreement does not require the General Partners to obtain bids, quotes or appraisals from independent parties with respect to any future services performed for or supplies or other property sold to the Partnership.

If the General Partners act as sales agent for the sale of limited partnership units, they may not be able to present the same perspective as an independent broker.

Investors should be aware that the individual General Partner, directly or through trusts, etc., is currently a major shareholder of Jobe Investment Co. and Arizona Chemical Co. and also employs the attorney who will be paid legal fees for organizational expenses. Substantial amounts will be paid by the Partnership to Jobe Investment Co. and Arizona Chemical Company for value received. (See "Sources and Uses of Partnership Capital".) Notwithstanding this ownership interest, there is no assurance that the Limited Partnership will be able to renegotiate, revise or amend it's agreement with Jobe Investment Co. or Arizona Chemical Co.

The General Partners are involved and will continue to be involved in other business activities for their own account and for the account of others and will divide their time between the Partnership and other operations. The General Partners will allocate his time and resources to the Partnership and such other operations on such basis as they deem reasonable and consistent with his fiduciary obligations. Jobe Investment Co. and/or Arizona Chemical Co. may be involved in other business and mineral operations on or off the mine property for their own account.

Fiduciary Responsibilities of the General Partners

Limited Partners will be relying on the general fiduciary duty which applies General Partner in any transactions entered into by the Partnership. Such fiduciary duty requires that the General Partner conduct the affairs of the Partnership in the best interests of the Partnership and exercise good faith and integrity in resolving any conflicts of interest.

The Partnership Agreement provides that the General Partners are not liable,

responsible or accountable in damages or otherwise to the Partnership or any of the Limited Partners for, and will be indemnified by the Partnership against, any loss resulting from acts or omissions performed or omitted by them within the scope of the authority granted to him by the Partnership Agreement, unless such act or omission constitutes fraud, wanton or wilful misconduct or gross negligence. As a result of such provisions, the Limited Partners may have a more restricted right of action against the General Partners than would otherwise be the case absent these provisions.

An investment decision should be based on the facts described in this Memorandum rather than upon reliance on the value of the possible right to bring an action against the General Partners, Arizona Chemical Co. or Jobe Investment Co.

RISK FACTORS

An investment in the Units offered by this Private Placement Memorandum involves significant risk and is suitable only for those investors whose portfolios can absorb a high risk, illiquid investment. Prospective investors should consider all matters relative to this investment, and, especially, the following:

Partnership Status

The General Partners have not requested and do not intend to request a ruling from the Internal Revenue Service ("IRS") that the Partnership will be classified as a partnership for federal income tax purposes rather than as an association taxable as a corporation. Under current IRS procedures, it is doubtful whether a ruling would be issued by the IRS if requested. The General Partners and the Partnership have not received an opinion of counsel and do not express an opinion as to whether the Partnership will be classified as a partnership for federal income tax purposes and will not be classified as an association taxable as a corporation.

Limited Transferability

The Units cannot be transferred except upon compliance with applicable federal and state securities laws and the applicable provisions of the Partnership Agreement. Because the Units will be offered and sold in reliance on the "private placement" exemption from registration contained in Section 4(2) of the Securities Act of 1933 (the "Act"), rules promulgated thereunder and certain state private placement exemptions, the securities offered hereby will be deemed to be "restricted securities", characterized by a lack of ready transferability. A purchaser of Units should, therefore, expect to bear the economic risk of his investment for an indefinite period of time or until termination of the Limited Partnership.

To ensure the availability of the private placement exemption, the Partnership Agreement, the subscription agreement and other documents attached hereto as exhibits contain representations that an investor is acquiring the Units for his own investment account, and not with a view to the resale or distribution of all or any part thereof. In addition to certain other rigid requirements which must be satisfied prior to a legal transfer of a Unit, the Partnership Agreement provides that a Unit cannot be transferred unless, in the opinion of counsel to the partnership, in his absolute discretion, the transfer will not violate any federal or state securities laws and will not cause a termination of the Partnership for federal income tax purposes. All costs incurred by the partnership shall be paid by the Limited Partner transferring his interest. The Partnership will not be under any obligation to register the Units or to comply with any exemption from registration under the Act for subsequent transfer. The registration number of the limited partnership as a "tax shelter" must be provided to any transferee, and the transferor must keep a record of the transferee's name, address and tax ID number until the same is reported to the limited partnership.

Accordingly, a Unit should not be purchased by any person who does not intend to hold the Unit indefinitely or until termination of the partnership. This offering may also be made pursuant to exemptions from registration in various states. Therefore, any further transfer of the Units will also have to satisfy state securities law requirements.

Registration as a Tax Shelter

The Tax Reform Act of 1984, in IRS Code § 6111, et seq., requires certain limited partnerships to register as "tax shelters" if it can be reasonably inferred from the offering memorandum representations that potentially available deductions plus twice the potentially available tax credits to any investor during the first five years of the partnerships' existence may exceed by two to one (2 to 1) that investors contributions to capital. The general partners believe this section applies to the limited partnership because it is possible that percentage depletion deductions may conceivably rise to this level. Therefore, the limited partnership must register with the IRS and be assigned a registration number. Each investor must report this number on his individual tax return when income or deductions from the limited partnership is reported. Further, each limited partner must give any purchaser, transferee or assignee of a limited partnership unit the registration number, and the transferor must also keep a record of the transferee's name, address and tax payer ID number, until that information is reported to the limited partnership. Showing a tax shelter registration number on your individual tax return may increase the possibility of an audit.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

No Guarantee as to Future Income Tax Benefits or Return of Capital

No warranty or guarantees are or can be made as to the future operation of the Partnership or the availability of future income or return of capital to the Limited Partners. Limited Partners should be prepared not to receive, either from cash flow, property distributions, investment appreciation, income tax benefits, or any combination thereof, a return of their capital contribution in the near future, and it is possible that their entire investment may be without pay-back. Further, if the tax reform and simplification legislation being discussed in Congress and by President Reagan is passed, many of the tax benefits contemplated by this prospectus may be lost.

Arbitrary Determination of Offering Price

The offering price per Unit has been arbitrarily determined by the General Partners based primarily upon the capital required to pay: (i) the cost of processing the stockpiled ores believed to bear precious metals, (ii) payments to Jobe for its various assets, depletion of its ores and use of its land and other facilities, (iii) fees and expenses incurred by the Partnership in connection with the formation of the Partnership and this private placement and (iv) non-production partnership expenses. The offering price for the Units, therefore, cannot necessarily be regarded as an accurate indication of their value.

General Risks of Mineral Business

An investment in the Partnership will be subject to all the risks incident to the ownership and operation of mineral properties as well as changes in general economic conditions, operating expenses, recovery rates, metals prices, governmental rules and fiscal policies, acts of God and other factors which are beyond the control of the Partnership, including, without limitation, the specific risks described herein.

High Risk Nature of Mineral Production.

THE BUSINESS OF MINING, REFINING AND SELLING MINERAL ORES OR PRODUCTS INVOLVES SUBSTANTIAL RISKS. ALTHOUGH THE GENERAL PARTNERS HAVE OBTAINED INFORMATION WHICH THEY BELIEVE TO BE RELIABLE RESPECTING THE STOCKPILED MINERAL ORES TO BE MINED AND PROCESSED, THERE IS NO ASSURANCE THAT SUCH INFORMATION WILL PROVE TO BE CORRECT OR THAT IN THOSE INSTANCES WHERE MINERAL RESERVES HAVE BEEN ESTIMATED, SUCH RESERVES WILL BE PRESENT IN THE ESTIMATED QUANTITIES OR VALUES. FURTHERMORE, IF THE OPERATIONAL COSTS INCREASE BEYOND THOSE PROJECTED, THE OPERATOR OR THE LIMITED PARTNERSHIP MAY REQUIRE ADDITIONAL OPERATING FUNDS IN EXCESS OF THE AMOUNT OF THE LIMITED PARTNERS' CAPITAL CONTRIBUTIONS. THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP WOULD BE WILLING OR ABLE TO OBTAIN SUCH ADDITIONAL FUNDS, OR THAT ARIZONA CHEMICAL CO. WOULD MODIFY THEIR CONTRACTS WITH THE LIMITED PARTNERSHIP, PARTICULARLY SINCE FINANCING OF MINERAL OPERATIONS IS DIFFICULT TO OBTAIN.

Economic Feasibility

The projections and computations contained herein are based upon reasonably current market prices which indicate that the head ore has a value of \$500 per ton of precious metal content and upon analyzes and tests described herein. The market prices of mineral products, especially metals, have been historically unstable and are influenced by factors over which the Partnership and the General Partners have no control. For example, the price of gold and other precious metals has fluctuated within extraordinarily wide ranges throughout history and particularly during the recent past. It is also important to note that actual (as opposed to projected) mineral content and recovery rate cannot be determined until after the material is mined and processed and it will vary from ton to ton. (See "Partnership Business" and "Sources and Uses of Capital".) However, if market prices rise, the Limited Partnership's return will be correspondingly higher and vice versa.

Timely Commencement and Completion of Operations

Failure by the Partnership to fully recover it's capital contributions and allocated profits on or before December 31, 1989, is a risk borne by the partnership under it's contract with Jobe Investment Co., as that contract terminates absolutely on that date, regardless of whether or not all of the partnership's ore has been processed. All unprocessed ore on that date not as yet identified to the Limited Partnership by it's use in production operations reverts back to Jobe Investment Co. (See "Partnership Business - General" and "Sources and Uses of Capital".)

Operational Hazards

Mineral activities involve substantial operational hazards, most of which will be borne by the operator, Arizona Chemical Co. However, the Partnership may incur losses due to hazards against which it may not be insured or losses which exceed the limits of any applicable coverage as a possible joint venture with Jobe Investment Co. and/or Arizona Chemical Co., or on some other basis. The satisfaction of such liabilities could reduce or eliminate the Partnership's ability to meet its expenses and other obligations and thereby cause the curtailment or termination of mining operations by the Partnership or reduce or eliminate the ability of the Partnership to make distributions to the Limited Partners.

Lack of Experience

The Partnership is a newly formed entity with no experience in the mining

or sale of gold or other minerals. The individual General Partner has had significant exploration and mining and refining experience, however he has had no extensive experience specifically in the precious metal business except for operating a precious metal scrap refinery. Further, the success of the Partnership is heavily dependent upon the ability of Arizona Chemical Co. and its contractors.

Taxes on Production

All taxes which may be imposed by government authorities directly on the production will be considered operating expenses. There is no assurance that the tax policies or other administrative requirements of the government authorities will not change from time to time with adverse economic effects on the Partnership.

Lack of Control by the Limited Partners

A Limited Partner may not be held personally liable by a third party as a General Partner unless he takes part in the management or control of the business of the Partnership. Accordingly, the Partnership Agreement provides that the General Partners shall have sole control over the management and operation of the business of the Partnership. Consequently, Limited Partners will not have the right to participate in the management of the Partnership and will be completely reliant on the General Partners for management services. Limited Partners holding 75% or more interest in the limited partnership may remove the General Partner for cause, which may cause the termination of the partnership or the need to elect a new General Partner. A JUDICIAL DETERMINATION THAT A LIMITED PARTNER IS PARTICIPATING IN THE MANAGEMENT OR CONTROL OF THE PARTNERSHIP COULD SUBJECT SUCH LIMITED PARTNER TO PERSONAL LIABILITY AS A GENERAL PARTNER.

Liability of Limited Partners for Return of Distributions of Capital and Profits

Under Arizona Partnership law, a Limited Partner who has received distributions from the Partnership representing, in whole or in part, a return of any capital contribution, whether optional or mandatory, will be liable to the Partnership (or to its creditors) for any sum, not in excess of the amount of such return of capital plus interest, necessary to discharge the liabilities of the Partnership to creditors who extended credit or whose claims arose before such return of capital. A Limited Partner must also hold in trust for the benefit of the Partnership (and its creditors) for a statutory period any money or other property distributed to him by the Partnership, if, at the time of and after such distribution, the assets of the Partnership did not exceed its liabilities, other than liabilities to the Limited Partners on account of their capital contributions and liabilities to a General Partner. Notwithstanding the foregoing, if the Partnership amends its Certificate of Limited Partnership to reflect the reductions in capital on account of distributions, no repayment of distributions will be required to satisfy claims arising after the amendment.

General Partner's Compensation

The compensation of the General Partners has been determined arbitrarily by the General Partners and not in an arm's-length transaction, although the General Partners believe that such compensation is reasonable and equivalent to or less than the amount the Partnership would have to pay for similar services rendered by an unrelated party.

General Tax Risks

The IRS has announced a substantially increased audit program for limited partnerships, especially tax shelter partnerships. The Limited Partnership will be registered as a "tax shelter" with the IRS under the Tax Reform Act of 1984. As a consequence, and even though their partnership is not structured as a "tax shelter", IRS audits of the partnership's tax returns are possible, and if such audits occur, tax adjustments may be made. Adjustments resulting from such audits could require Limited Partners to file amendments to their prior income tax returns and could result in audits of Limited Partners' returns.

Deductibility of Payments to the General Partners

No assurance can be given as to the deductibility for federal income tax purposes of any fees payable to the General Partners. If it is ultimately determined that the payment was made to the General Partners in a capacity as a Partner or as a syndication fee, the Partnership may be unable to sustain the deduction.

Taxable Income in Excess of Cash Proceeds

It is possible that after some time of Partnership operations, a Limited Partner's share of the Partnership's income will exceed his cash distributions. This will arise when proceeds from operations or capitalization are used to repay borrowings. In such event, the cash distributions may not be sufficient to pay the federal and state income tax attributable to a Limited Partner's share of the Partnership's income.

Deductibility of Contract Payments

The IRS may contest the deductibility, or the year of the deduction, of all or a portion of the payments made to Jobe Investment Co. and/or Arizona Chemical Co. for reasons which include, but are not limited to, the contentions that (i) the Partnership is engaged in a joint venture with the Jobe Investment Co. and/or Arizona Chemical Co., (ii) the deduction of these payments materially distorts the income of the Partnership or (iii) these payments constitutes a leasehold bonus or other capital costs. The IRS may also contest the deductibility, or the year of deductibility, of certain other items anticipated to be deducted by the Partnership such as research and development deductions.

Deductibility of Certain Items

It is anticipated that the Partnership will deduct in the year incurred certain of the cash payments set forth in "Sources and Uses of Partnership Capital". There can be no assurance that the IRS will not successfully challenge the deductibility of some or all of these items, thereby resulting in serious adverse tax consequences to the Limited Partners.

Profit Motive

There is a risk that an investor's tax deductions may be subject to disallowance as being connected with an activity not engaged in for profit or with a transaction which has as its principal purpose the reduction of taxes. The potential for capital recovery and cash flow are principal objectives of the

Partnership; however, no assurance can be given that the taxing authorities will not determine that these objectives are insufficiently substantiated so as to cause disallowance of deductions by the Partners.

State and Local Taxation

Each prospective investor should consult with his personal tax advisor with respect to the state and local tax consequences connected with an investment in the Partnership.

Complex Tax Matters

Tax matters relating to the Partnership are complex. There are other tax related matters which may affect the Partnership not listed herein.

EACH PROSPECTIVE LIMITED PARTNER SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP.

PARTNERSHIP BUSINESS

La Paz Precious Metals Limited Partnership (the "Partnership") will be organized to raise capital to purchase a certain quantity of head ore and to finance recovery operations to be undertaken by Arizona Chemical Co., an Arizona corporation controlled by the General Partners. The precious metals expected to be recovered from the head ore consist of gold, silver and platinum group elements. The head ore is located on the Mineral Hill Mine near Parker, Arizona (the "Property"), which is owned and controlled by Jobe Investment Co., an Arizona corporation, which is controlled by the General Partners. The values will be recovered from stockpiles of ores which have been partially processed by having been mined, milled and crushed to 3/8 inch minus and by having had some copper values removed and stockpiles of ore which have not been chemically treated. The estimated tonnage of stockpiled ores available for such processing is in excess of 100,000 tons. Volumetric estimates are based on drilling and other sampling of the stockpiles and upon records of previous mining operations on the property. The General Partners will be Frederick E. Kallof and Billfred Co., an Arizona corporation, (the "General Partner" or "General Partners".) The General Partners, on behalf of the proposed partnership, have entered into an executory agreement with Jobe Investment Company to purchase said head ore and a non-exclusive license for use of facility and surface of Mineral Hill Mine for processing of the head ore. The General Partners, on behalf of the proposed partnership, have also entered into an executory agreement with Arizona Chemical Co. to provide processing and marketing. The capital of the partnership will be raised by the private placement of 200 units or less of Limited Partnership Interest. The proceeds of the partnership will be used as more fully described under "Sources and Uses of Partnership Capital".

The precious metals recovery activities will be segregated into preparatory and production phases. The preparatory phase of the operations will begin upon the acceptance by the General Partners of subscriptions for at least 50 units and the determination by the General Partners to proceed, at which time the partnership will formally come into existence and initial payments and transfers will be made under the executory agreements with Arizona Chemical Co. and Jobe Investment Co. Preparatory operations will continue for a period of time until it is determined that it is economically and technically feasible to enter into production. Some small scale production is anticipated during the preparatory phase, when the details of ore treatment and processing will be worked out and physical plant and equipment assembled. Processing of the Limited Partnership ore will begin with the production phase.

Arizona Chemical Co. and its consultants and contractors will make all actual mining, production and technical decisions, including setting the level of production. If Arizona Chemical Co. advises that additional capital is needed to begin production, it shall so advise the General Partners. Arizona Chemical Co. has no power, duty, authority or obligation to raise such additional capital. The General Partners, in their sole discretion, shall determine if it is economically feasible to begin production, and if further sales of unsold or additional units are feasible or desirable to raise the additional capital. In the event the General Partners determine not to sell further units to raise additional capital to expand operations, the General Partners may instruct Arizona Chemical Co. to continue small scale production to build up capital reserves to expand production, seek other capital sources, the cost of which will be an operating expense, or discontinue operations entirely if profitable operations cannot be had. In any event, the contracts with Arizona Chemical Company and Jobe Investment Co. will end December 31, 1989, or sooner if the Limited Partnership's head ore has

been processed.

In return for an investor's contribution to the partnership, the investor will share in the income from the Property to be determined and paid in the manner set forth in the Limited Partnership Agreement. Because production is sought as soon as possible, each profit distribution, while there is still a possibility of additional Limited Partners being admitted, will be made as if all 200 units were outstanding. Amounts apportioned to unsold units will be distributed prorata at dissolution. Tax deductions generated by the partnership's activities are anticipated. To insure full use of all deductions, tax losses will be fully distributed to the unit holders validly admitted to the Limited Partnership at the close of the tax year, without any reserve for possible additional unit sales thereafter. (See "Risk Factors" and "Sources and Uses of Capital").

DESCRIPTION OF MINERAL PROPERTY

The stockpiled ore is on claims which are "unpatented" claims administered by the Bureau of Land Management of the United States government and owned or controlled by Jobe Investment Co. Jobe also owns in fee a substantial amount of patented acreage upon which processing operations may occur. Other mining operations by Jobe Investment Co., or by other persons under contract or leases from Jobe, may occur on the property where the stockpiled ore is located, or on the balance of Jobe's property, but these operations should not unreasonably interfere with the precious metals recovery operations contemplated herein. Jobe Investment Co. has constructed and has been operating a pilot plant capable of processing approximately 5 tons of ore per ten hour day. The precipitates are being evaluated and processing techniques are being tested. The preliminary work done indicates the precious elements such as gold, silver and platinum group elements are present. Process technology and techniques to convert these chemically bound values must be further developed. See Exhibit "J", which is a summary report by Alvin C. Johnson, Ph.D., exploration geochemist, stating his observations, test results and preliminary processing recommendations from work undertaken on behalf of Jobe Investment Co. If an existing recovery process is used, payment of a process royalty of approximately two percent (2%) of the gross ore value may be required, which may be paid to Dr. Johnson if an independently developed process is utilized, or as consideration for his work on behalf of the Limited Partnership to develop a new recovery process. There is no assurance that such techniques will be developed or operated in an economically feasible manner.

The Stockpile Ore (The Property)

The Property consists of in excess of 100,000 tons of stockpiled ore. This ore has been mined, milled and crushed to 3/8 inch minus, and has been partially processed by having some of the copper values removed as a result of previous copper recovery operations on the property before recovery of precious metals was attempted. Several assays of head ore and concentrates have been done by independent laboratories. Direct emission spectrophotographic examination of the ore in the laboratory has shown that gold, silver and platinum group metals, i.e., platinum, palladium, iridium, rhodium, ruthenium and osmium, in chemical compounds or elemental form exist in these ores. See Exhibit "K".

Gold and Platinum Values

Significant amounts of laboratory work has been done to develop a process flow sheet. Several sample runs of 100 pounds or more of the ore have been made, and the concentrates derived therefrom analyzed. These analyses indicate that

the precious metal content of the ores should be recoverable at a rate of approximately 80%, once processing and operational details have been worked out. This preliminary work indicates that a ton of head ore is expected to contain approximately \$500/ton or more values (assuming current metal market values, and the recovery goals.) More laboratory and processing work is needed because some assays are very good, some are poor. Therefore, preliminary process development work will continue before actual production can begin.

Mineral Hill Mine

Mineral Hill Mine was operated by previous owners as a copper mine from 1967 to 1972. Thereafter it was shut down because of losses from operations due to uncertain copper prices. Precious metal recovery was not attempted because controls on ownership of gold by the United States Government were not removed until 1973-74. Copper production reached 200 to 300 thousand pounds per month with open pit mining of approximately 2,000 tons per day.

An aerial photograph (circa 1970) of the mine is attached hereto as Exhibit "I", showing some of the improvements and stockpiles, such as roads, leach vats holding 1,000 tons, pipe lines, water supplies, etc.

Depletion Deductions

Each Limited Partner may be entitled prorata to operating expense deductions as well as a depletion allowance. Gold and Silver mining and processing operations are permitted under the IRS Code to take a 15% depletion allowance of value depletion and platinum group elements 22% percentage depletion allowance or a cost depletion for tax purposes.

Depletion is the exhaustion of a nonrenewable resource as a result of its extraction. It differs from depreciation which goes on continuously regardless of use. The Internal Revenue Service allows a depletion allowance to be taken by one of two methods: (1) a cost or unit depletion, and (2) a statutory percentage depletion. The taxpayer must use the method that provides him the largest deduction on his tax return. The tax law allows a deduction in computing taxable income for both depletion and depreciation of equipment and improvements.

The cost depletion for each year is computed by dividing the amount of money expended to acquire the mineral property by the number of mineral units in the mineral deposit at the end of the taxable year. This gives you the cost depletion per unit of reserve. Then multiply the depletion unit by the number of units of mineral sold or processed during the taxable year. Only by production can you take advantage of the depletion allowance. Any rents or royalties paid or incurred by the taxpayer (licensee) must be excluded.

In contrast to cost depletion, the percentage depletion allowance must not exceed 50 percent of the taxpayer's taxable income from the property, calculated without allowance for depletion. Platinum and platinum group elements are entitled to 22% statutory percentage depletion and gold and silver to 15% statutory percentage depletion.

A statutory percentage of gross income may be deducted from the gross income (subject to the 50% limitation on taxable income) as a depletion allowance. "Gross income from mining" (26 CFR 1.613-3 [b]) is that amount of income which is attributable to the processes of extraction of the ores or minerals from the ground and the application of mining processes, including mining transportation not over 50 miles from the point of extraction to the treatment plant. Section

613 (c) of the Internal Revenue Code specifies the types of treatment processes that may be considered mining. This section takes into consideration the fact that the various mineral commodities must be treated in certain ways in order to be put in a commercially marketable condition.

Development expenditures are defined as "all expenditures paid or incurred during the taxable year for the development of a mine or other natural deposit if paid or incurred after the existence of ores or minerals in commercially marketable quantities have been disclosed" (IRC 616). Development expenditures may be either deducted in the year incurred or, deferred and amortized so that the deductions are taken as the ore is produced. Each year the General Partners will select the most appropriate option. Development expenditures, may not be recaptured when the mine comes into production.

OTHER PROVISIONS OF THE PARTNERSHIP AGREEMENT

Set forth below is certain additional information relating to the Partnership and the Partnership Agreement not previously summarized elsewhere herein. The summary of the terms of the Agreement is not complete and is qualified in its entirety by reference to the full text of the Partnership Agreement. A prospective investor should read the complete Partnership Agreement, a copy of which is attached hereto as Exhibit "C".

Rights and Powers of Limited Partners

Under the Partnership Agreement, the General Partners are vested with broad powers of control, and the Limited Partners are given no direct voice in the management or control of the Partnership.

The Limited Partners do have certain rights, including the right to inspect the Partnership's books and records and to receive certain reports as to the Partnership's operations. Limited partners unit holders will receive a copy of the actual limited partnership agreement as it is filed with the Arizona Secretary of State and of any amendments thereto, but will not receive copies of any admission amendments as filed.

By affirmative written vote of all limited partner units then outstanding and all general partners, the Limited Partnership may appoint one or more successor or additional general partners. By affirmative vote of seventy-five (75%) percent in interest of the Limited Partner units then outstanding, the Limited Partners may remove a General Partner for gross negligence with respect to the property or business of the Partnership or in the event of his adjudication of bankruptcy, adjudication of incompetency, or conviction of a felony. Such removal may result in termination of the partnership or the need to elect a General Partner.

If at any time there is no general partner in office, the holders of all the limited partnership interests then outstanding may, within ninety (90) days following the occurrence of the event resulting in there being no general partner in office, vote to reform the Partnership and elect one or more successor general partners to continue the business of the Partnership.

Termination

The Partnership will continue in existence until December 31, 1990, unless sooner terminated by:

- (1) The expiration of the term of this Certificate;
- (2) The determination of the General Partners to dissolve the Partnership;
- (3) The appointment of a permanent or temporary receiver of the assets and properties of the Partnership and the failure of the General Partner to seek the removal thereof within sixty (60) days after written notice is given to the General Partner from the Limited Partners or any of them requesting such removal;
- (4) The adjudication of the Partnership as a bankrupt, the making by the Partnership of an assignment for the benefit of creditors, or the use by the Partnership, whether voluntarily or involuntarily, of any debtor relief proceedings under any present or future law of any state or of the United States;

(5) The levying upon or attachment by process of all assets and properties of the Partnership and the failure of the General Partner to seek to dissolve or satisfy such levy or attachment within thirty (30) days after written notice is given to the General Partner from the Limited Partners or any of them requesting the satisfaction or dissolution thereof;

(6) The death, resignation, retirement, dissolution, removal, bankruptcy, adjudication of insolvency or adjudication of incompetency of a sole General Partner then in office, subject to the right of the limited partners to vote to reform the Partnership and elect a successor General Partner to continue the business of the Partnership in the manner provided in the Limited Partnership Agreement; or

(7) When the entire tonnage of head ore which the Limited Partnership is entitled to process under its purchase agreement and license with Jobe Investment Co. has been processed and the net profits therefrom have been received by the Limited Partnership and distributed to the Partners under the terms of this agreement, then the partnership shall be dissolved, as the limited partners have received the entirety of their expectations. If dissolution is had for this reason, all partnership assets shall pass to the General Partners as additional fees and all partnership contracts with third parties shall be terminated as soon as is reasonably possible without prejudice to the rights of third parties or creditors in the discretion of the General Partners.

(8) In no event shall the death of any Limited Partner result in dissolution of the Partnership. In the event of the death of any Limited Partner, the personal representative of the deceased Limited Partner shall succeed to the Interest of the deceased Limited Partner in the Partnership subject to the rights of any assignee of the deceased Limited Partner in and to such Interest, and subject to the limitations on transfer contained in the Limited Partnership Agreement.

(9) In the event of dissolution of the Partnership, this Certificate shall be cancelled and notice to such effect shall be placed on record as required by law.

(10) Subject to any applicable limitations of law, upon dissolution of the Partnership, the assets of the Partnership shall be distributed as follows:

(a) All of the debts and liabilities of the Partnership to third parties, including indebtedness to Partners for loans to the Partnership, shall first be paid and discharged; and

(b) The balance of the assets of the Partnership shall be distributed to the Partners as provided in the Limited Partnership Agreement.

(11) Upon dissolution, each Limited Partner shall look solely to the assets of the Partnership for the return of his investment, and if the Partnership property remaining for distribution to the limited partners is insufficient to return in full the capital contributions of each Limited Partner, such Limited Partner shall not have recourse against the General Partner or any other Limited Partner. The winding up of the affairs of the Partnership and the distribution of its assets shall be conducted exclusively by the General Partners.

Limited Liability

Section 14.02 of the Limited Partnership Agreement provides that the liability of each Limited Partner for his share of the Partnership shall be limited to the total of the capital contributions of such Limited Partner, which shall have been paid or payable to the Partnership, plus the proportionate share of such Limited Partner in the income of the Partnership which is undistributed at the time such losses are determined or debts are incurred. In the event that the proportionate share of a Limited Partner in the losses or debts of the Partnership is greater than such total, plus his pro rata share of debts of the Partnership for which no Partner has any personal liability, the excess shall be carried forward and charged against the proportionate share of such Limited Partner in future net profits of the Partnership.

Limitations on Transferability of Partnership Interest

Limited Partners may assign and transfer all or any part of their interest in the Partnership, but (1) the assignee or transferee shall not be deemed a substituted Limited Partners or entitled to exercise or receive any of the rights, powers or benefits of a Limited Partner other than the right to receive distributions attributable to the transferred interest, unless such assignee or transferee has been approved and accepted by the General Partners as a substituted Limited Partner, (2) if the interest so transferred is less than the entire interest of the transferor, neither the interest transferred nor the interest retained may be less than one Unit, however, this limitation will be inapplicable to transfers by operation of law and (3) if in the opinion of counsel for the partnership, in his absolute discretion, previously obtained in writing, at the expense of the Limited Partner unit holder requesting such an opinion, the transfer will not violate any federal or state securities laws and will not effect a termination of the Partnership for federal income tax purposes. The limited partnership registration number must be given to any transferee and the transferor must record and keep the transferee's name, address and tax ID number until he informs the limited partnership of that information.

Any Limited Partner's legal representative, successor in interest or assignee who has, with the consent of the General Partners or by operation of law, succeeded to the interests of a Limited Partner shall have all of the rights and powers of, shall be subject to all of the restrictions applicable to, shall assume all of the obligations of, and shall attain the status of his predecessor and shall in all respects be a Limited Partner under and pursuant to the Agreement. Any transfer of a partnership interest shall be effective at the time an amendment to the limited partnership agreement adding him as a limited partner is filed with the Arizona Secretary of State.

The interest of the General Partners in the Partnership may not be transferred without the consent of all general and limited partners.

Retirement and Resignation of General Partners

A General Partner may retire or resign his position by giving not less than thirty (30) days notice to the Limited Partners. A General Partner shall cease to be such upon the death, incapacity or dissolution of such General Partner. Retirement, resignation or removal of all General Partners shall cause a dissolution of the Partnership, subject to the right of the Limited Partners to reform the Partnership, as provided in Article 10 and Section 12.03 of the Agreement. However, as long as at least one general partner remains, the business of the limited partnership will continue to be transacted by the remaining partner(s).

Meetings of Partners; Voting

In any matter on which any Partner is entitled to grant (or deny) his consent or cast his vote, the Partner may accomplish this by attending any meeting convened for all of the Partners entitled to vote on the matter or he may grant to any person a special or general power of attorney to vote for him at any such meeting or he may grant (or deny) his consent in writing. All votes will be made in writing. However, if a written vote or ballot is lost, not submitted or unavailable for any other reason, this shall not cause the vote to be defective so long as the minutes of the meeting have recorded the vote, as the vote will be considered as having been given in writing. This written consent may be utilized at any meeting of the Partners or it may be utilized, without a meeting, in obtaining a consent of Partners to a matter submitted to all Partners entitled to grant (or deny) consent on said matter. The General Partners may in their discretion convene a meeting for any purpose, and the General Partner shall convene a meeting upon receiving a written consent signed by the holders of twenty-five (25%) percent of the limited partnership interests then outstanding.

Amendments; Suspension of Voting Rights

No alterations, modifications, amendments or changes to the Agreement will be effective or binding upon the parties unless the same shall have been agreed to by the General Partners and by seventy-five percent (75%) in interest of the Limited Partners, except with respect to Admission Amendments, as provided in Articles 8, 9 and 19 of the Partnership Agreement and any amendments necessary to terminate the Partnership and any powers or duties granted by law to the General Partner to amend.

The General Partners will amend the Partnership Agreement at least once every thirty (30) days to effect the substitution or addition of any Limited Partners as may have been approved and accepted by the General Partners.

On its own motion or upon receipt of a written request for adoption of an amendment to the Partnership Agreement executed by Limited Partners owning at least twenty-five (25%) percent interest in the Partnership, the General Partners will implement a plan whereby the Limited Partners may vote upon the adoption of such amendment. If Limited Partners holding seventy-five percent interest in the Partnership vote in the affirmative, and each General Partner has consented thereto, the proposed amendment will be adopted and binding upon all parties to the Partnership Agreement, and each of the Partners must execute such documents, including an amendment to the Partnership Agreement, as are necessary to render such amendment effective.

All voting by the Limited Partners shall be on the basis of one vote for each unit.

No General Partner may vote as such at any meeting, but shall have the right to address the meeting and be present during the open voting and to vote the vote of any Limited Partnership Units owned by him or as a proxy.

The Partnership Agreement will also be amended by the General Partners without need for a vote of Limited Partners upon the occurrence of any of events specified by law.

Power of Attorney

Each Limited Partner by executing a counterpart of the Partnership Agreement

or by executing an Admission Amendment whereby he agrees to be bound by the terms of the Partnership Agreement, and each assignee or transferee of a Limited Partner, appoints the General Partners as his true and lawful attorneys-in-fact to execute, acknowledge, swear to, verify, deliver, file and publish, if necessary (1) all amendments, alterations or changes to the Partnership Agreement, including amendments substituting Limited Partners, if otherwise authorized under the Partnership Agreement; (2) all instruments which effect a change in the Partnership or a change in the Partnership Agreement; (3) all certificates or other instruments necessary to qualify or maintain the Partnership as a limited partnership or a partnership in which the Limited Partners have a limited liability in the jurisdictions where the Partnership may conduct business; and (4) all instruments necessary to effect a dissolution, termination and liquidation of the Partnership and cancellation of the Partnership Agreement when such dissolution, termination, liquidation or cancellation is otherwise provided in the Partnership Agreement.

Reports to the Limited Partners

Under the Partnership Agreement, the General Partners are required to cause the books and records of the Partnership to be examined annually by independent public accountants. Annual financial statements of the Partnership, including a balance sheet and statement of operations will be transmitted to each Limited Partner together with the report and opinion of such independent accountants with respect to such statements. All records of the partnership are available for inspection by any partner during ordinary business hours.

Within a reasonable period after the close of each year a report will be transmitted to each Limited Partner unit holder indicating his proportionate share of the profit or loss of the Partnership for such year for federal income tax purposes. The Limited Partnership's tax shelter registration number must be reported on individual returns when any limited partnership profit or loss is reported.

Each limited partner will receive a copy of the limited partnership agreement as it is filed with the Secretary of State of the State of Arizona and all amendments thereto, but will not receive copies of any admission amendments thereto.

Rescission Right

Each purchaser of Units shall have the right to rescind his purchase by delivering to the General Partners a notice in substantially the form of Exhibit "G" attached hereto. Such notice must be delivered within three business days of the earliest to occur of (i) the purchaser's execution of a written agreement to purchase one or more Units, (ii) the delivery to the purchaser of a confirmation of sale or (iii) payment for such Unit or Units or the execution of an executory contract.

Within seven days following the receipt by the General Partners of such notice, the purchaser will be entitled to a return of all funds advanced or paid by him for the Units and any original documents signed by him evidencing his obligation to make a future payment for his Unit.

The Offering Period

The offering period will terminate not later than June 30, 1986, unless

extended by the General Partner for a period not to exceed thirty-one days. If operations are begun, sale of additional units may be suspended and reinstated at any time before termination of the partnership, at the discretion of the General Partners.

Selling Arrangements

The General Partners may authorize one or more registered broker/ dealers (the "Selling Agent") to offer a limited number of Units for sale for cash or noncash contributions or both on a "best efforts" basis. The Selling Agent may receive commissions of up to 12% of the capital contributions of each Unit sold by it. Any commission payable to a Selling Agent will be paid from the proceeds of this Private Placement only after the General Partners have: (1) accepted cash or noncash subscriptions for a minimum of 50 units, (2) determined to form the limited partnership, (3) ratified the contract with Jobe Investments Co., and (4) directed Jobe to begin preparatory operations. The Selling Agent will be responsible for its professional fees, travel expenses and other out-of-pocket expenses incurred by it in connection with its activities. As of the date of this Memorandum, no agreement has been entered into with any Selling Agent regarding the private placement of the Units. If a Selling Agent is engaged by the General Partners, a copy of the Underwriting or Dealer Agreement will be made available for inspection upon request to prospective investors or their representatives.

The General Partners will offer and sell Units for cash or noncash consideration or both on a "best efforts" basis. However, the General Partners shall not receive any commission for sales of the Units.

Offerees and purchasers of Units in the Partnership are entitled, and may be required, to employ an offeree representative to assist them in evaluating the merits and risks of an investment in the Partnership. Any offeree representative so employed must comply with the requirements of the Securities Act of 1933 and rules and regulations thereunder. Neither the General Partners, the Selling Agent, nor the Partnership will pay any charges for services rendered by any such offeree representative in connection with the offering or sale of Units in the Partnership. A Selling Agent may not act as an offeree representative.

Method of Subscription

Units will be sold only to persons who meet the qualifications described under "Investor Suitability Requirements" and have confirmed such qualifications in an Investor Qualification Letter on the form attached hereto as Exhibit "A". If an offeree has employed an offeree representative to assist him, then an Offeree Representative Questionnaire in the form of Exhibit "B" attached hereto, duly executed by the offeree representative must be submitted to the Partnership along with any subscription.

Qualified Investors may subscribe for Units by completing and delivering the following documents to the Partnership:

- 1) An executed Subscription Agreement. A copy of the Subscription Agreement is attached hereto as Exhibit "D". An executed duplicate of this document will be returned to the purchaser upon acceptance of the subscription by the General Partners to confirm the sale. Each unit subscribed for will then be assigned a unit number.
- 2) An executed Signature Page to Admission Amendment to the Partnership Agreement, properly notarized. A copy of the Admission Amendment is

attached hereto as Exhibit "E". An executed duplicate of this document will be returned to the purchaser upon its execution by the General Partners. The earliest this will occur will be upon formation of the Partnership after a minimum of fifty (50) units have been subscribed for and accepted and the General Partners have decided to begin preparatory operations. Thereafter, new limited partners may be admitted.

- 3) A check in the amount of the cash subscription price made payable to La Paz Precious Metals Limited Partnership Trust Account. This will be deposited in a trust account at the United Bank of Arizona until preparatory operations are begun, and thereafter, into the Limited Partnership's accounts. Or, if the consideration is other than cash, execution of a written and signed executory agreement, to become enforceable by the limited partnership upon its formation, plus a check for any difference between the unit's value and the noncash contributions value, if any.

Additional copies of the foregoing documents are available from representatives of the General Partners for completion and signature.

FINANCIAL STATEMENTS

The following pro forma financial statement of the Partnership, reflecting its capitalization upon formation, has been prepared by the General Partner and is included herein for illustrative purposes.

La Paz Precious Metals Limited Partnership
Balance Sheet
As of date of formation of Partnership
(Pro Forma)

	<u>200 UNITS</u>	<u>50 UNITS</u>
Assets:		
Cash	<u>\$1,000,100</u>	<u>\$250,100</u>
Liabilities and Partner's Equity:		
Liabilities	\$ -0-	\$ -0-
Partner's Equity	<u>\$1,000,100</u>	<u>\$250,100</u>
Total Liabilities and Partner's Equity	<u>\$1,000,100</u>	<u>\$250,100</u>

NOTE: The foregoing reflects only the capital of the Partnership upon formation and does not reflect obligations to be incurred in the conduct of the Partnership's business. See "Sources and Uses of Partnership Capital".

EXHIBITS

Investor Qualification Letter	A
Offeree Representative Questionnaire	B
Certificate and Agreement of Limited Partnership	C
Subscription Agreement	D
Admission Amendment	E
Subscription Instructions	F
Rescission Information and Letter	G
Map Showing Location of Mineral Hill Mine	H
Aerial Photograph of Mine (circa 1970)	I
Summary Report on Mineral Hill Property	J
Assay Reports	K
Tax Shelter Registration Number	L

TO: General Partners for La Paz Precious Metals Limited Partnership (a proposed Arizona Limited Partnership)

INVESTOR QUALIFICATION LETTER

I make the following representations which I declare under oath to be true and correct with the intent that they may be relied on in determining my suitability to be an investor in Units of Limited Partnership interest in La Paz Precious Metals Limited Partnership, a proposed limited partnership to be formed pursuant to the laws of Arizona (the "Units").

1) I HAVE, EITHER BY MYSELF OR TOGETHER WITH MY ADVISORS, LISTED BELOW, SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL, BUSINESS AND TAX MATTERS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN A LIMITED PARTNERSHIP ENGAGED IN THE BUSINESS OF LEASING, DEVELOPING AND EXPLOITING MINERAL PROPERTY DESCRIBED IN THE PRIVATE OFFERING MEMORANDUM, DATED AUGUST 1, 1985, AND MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT THERETO.

2) General Information:

a) Name: _____ Age: _____

b) Resident Address & Telephone Number: _____

c) Employer or Business Association & Position: _____

d) Business Address & Telephone Number: _____

e) Business or Professional Education and the Degrees received are as follows:

<u>School</u>	<u>Degree</u>	<u>Year Received</u>
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<u>Employment Position or Occupation</u>	<u>Nature of Responsibility</u>	<u>From</u>	<u>To</u>
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(Attach additional pages if necessary to answer any questions fully).

3) Investment Experience of Offeree.

EXHIBIT "A"

- a) Previous investments in tax sheltered investments during the past five years:
- b) Previous investments in mining, oil and/or gas programs during the past five years:
- c) Previous investments in private offerings of securities which were sold in reliance on the private offering exemption from registration under the Securities Act of 1933:
- d) Other experience which would qualify me to be knowledgeable regarding the type of investment described above (experience in financial or business matters, mining, etc.)
- 4) In connection with an offer to me of Units of the Partnership, I intend to utilize the services and rely on the advice of the following attorneys, accountants or investment or financial advisors (Offeree Representatives) to assist me in analyzing the risks and merits of a possible investment in the Partnership. (As to each of these advisors, set out in detail his qualifications in such areas as mining, securities, taxation, etc. to assist you in making an investment decision). UNLESS YOU HAVE SUBSTANTIAL RELEVANT INVESTMENT EXPERIENCE YOURSELF, IT IS MANDATORY THAT YOU BE ADVISED BY ONE OR MORE OFFEREE REPRESENTATIVES.

a) Name: Address:

Occupation:

Qualifications & Experience:

b) Name: Address:

Occupation:

Qualifications & Experience:

c) Name: Address:

Occupation:

Qualifications & Experience:

5) My Offeree Representative has informed me that there is no material relationship between such Offeree Representative and his/her or its affiliates and the Partnership, any partner or the offering agent or its affiliates which now exists or is mutually understood to be contemplated or which has existed at any time during the previous two years, nor has compensation been received or will be received as a result of said relationship, except as follows:

6) I have adequate means of providing for my current needs and possible personal contingencies and have no need in the foreseeable future for liquidity in an investment in the Units.

7) I represent and warrant that:

a) My current net worth (along with my spouse) (exclusive of home, furnishings, personal possessions the amount I plan to invest in the partnership and automobiles) is (strike out inapplicable one) - (1) in excess of \$200,000, but less than \$1,000,000, or (2) greater than \$1,000,000.

b) My income for the last two years (from all sources) has or has not (strike out inapplicable one) exceeded \$200,000 per year, and I do or do not (strike out inapplicable one) expect my taxable income for this year to exceed \$200,000.

8) CONSIDERING THE FOREGOING AND ALL OTHER RELEVANT FACTORS IN MY FINANCIAL AND PERSONAL CIRCUMSTANCES, I AM ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN

THE PARTNERSHIP, AND IN THE AMOUNT UNDER CONSIDERATION, INCLUDING THE COMPLETE LOSS OF MY INVESTMENT.

At the time I executed this Investor Qualification Letter, I had not been offered any Units, nor had I executed a Subscription Agreement or other document of purchase or wired money, written a check or otherwise made payment for any Units.

Name (Please Print)

Date: _____

Signature of Prospective
Offeree

OFFEREE REPRESENTATIVE QUESTIONNAIRE

The undersigned has been named by _____ (the "Subscriber") as a person upon whose advice the Subscriber has relied, or with whom the Subscriber has consulted, in evaluating the merits and risks of an investment in the Units of Limited Partnership Interests (the "Units") in La Paz Precious Metals Limited Partnership, a limited partnership to be organized under the laws of the State of Arizona (the "Partnership") to engage in the business of leasing, developing and exploiting gold mining property, all as fully described in the Private Placement Memorandum dated August 1, 1985. In connection with the subscription by the Subscriber, the undersigned hereby represents and warrants as follows:

(i) The undersigned is not an affiliate, director, officer or other employee of the Partnership or the General Partners of the Partnership or their affiliates or of the offering agent.

(ii) Listed below are all material relationships (and any compensation received or to be received by the undersigned or affiliates of the undersigned as a result thereof) between the undersigned (or any affiliates of the undersigned) and the General Partners or the offering agent which now exists or which have existed at any time during the past two years or which are now contemplated:

(This item must be completed. If the named offeree representative has not had any such dealings, state "NONE".)

(iii) The undersigned is primarily engaged in the following business or profession (such as the conduct of business as a registered investment advisor or registered broker/dealer or the active practice of law or accountancy; please indicate period of practice and field of specialization, if any):

(This item must be completed.)

(iv) The Undersigned has the following degrees, special licenses and registrations (please indicate year granted):

(v) The undersigned has/has not either previously invested in, or advised others with respect to investment in, the mining, distribution and sale of gold or other tax-oriented investments (such as equipment leasing, real estate, oil and gas, agriculture or commodities syndications).

(Cross out inapplicable answers).

(vi) The undersigned has the following additional business and investment experience which helps qualify him to evaluate the merits and risks of this investment.

(vii) The undersigned has such knowledge and experience in financial and

EXHIBIT B

business matters that the undersigned is capable of evaluating the merits and risks of an investment in the Units and of making an informed investment decision.

(viii) The undersigned has known the Subscriber for _____ years and is familiar with the financial and tax positions and plans of the Subscriber.

(ix) The undersigned (please mark one):

(a) has not relied on the advice of and has not consulted with anyone else in advising the Subscriber with regard to an investment in the Units; or

(b) has relied on the advice of or has consulted with the following person in advising the Subscriber with regard to an investment in the Units.

(name)

(address)

(telephone number)

Dated: _____, 198_.

(Signature)

Name of Offeree Representative
(Please Print)

Business Address

City State Zip Code

Telephone Number

CERTIFICATE AND AGREEMENT OF
LIMITED PARTNERSHIP OF
LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP

THIS CERTIFICATE AND AGREEMENT OF LIMITED PARTNERSHIP (hereinafter called the "Certificate") is made and entered into as of the _____ day of _____, 19__, by and between Frederick E. Kallof and Billfred Co., an Arizona corporation, (hereinafter collectively and/or individually called the "General Partner"), and David R. Mika, as the initial limited partner, and such persons who may hereafter be admitted to the Partnership as Limited Partners in the manner herein provided such Limited Partners being herein collectively called the "Limited Partners", in accordance with the provisions of the Uniform Limited Partnership Act. Please refer to Article 21 of this Agreement for definitions of various terms used herein.

WITNESSETH:

In consideration of the mutual benefits, covenants and conditions herein set forth, and in order to form and maintain a limited partnership under the Arizona Uniform Limited Partnership Act, the undersigned do hereby agree and certify as follows:

1. NAME. The name of the Partnership is La Paz Precious Metals Limited Partnership, an Arizona Limited Partnership (hereinafter called the "Partnership").

2. PURPOSE OF BUSINESS. The Partnership has been formed for the following purposes:

(A) To engage in the business of buying, leasing, developing and exploring mineral property or ores and contracting for the same; specifically for contracting for the mining, distribution, refining and sale of minerals, including but not limited to, gold or precious metals. In furtherance of the purposes of the Partnership, the Partnership shall have the power to do any and all other things whatsoever necessary and desirable in connection with the foregoing, or otherwise contemplated by this Agreement, but the Partnership shall not engage in any other business except to the extent that such other business is collateral or necessary to the business described above. The above business may be done jointly with other parties.

(B) To distribute among the General Partners and the Limited Partners as hereinafter provided, all net proceeds and any other property from time to time received from operations or any other source.

3. PRINCIPAL PLACE OF BUSINESS AND DESIGNATION OF AGENT FOR SERVICE OF PROCESS. The principal place of business of the Partnership shall be located at 25 West Thomas Road, Phoenix, Arizona, 85013, or, at such other places as the General Partners shall from time to time designate in writing to the Limited Partners. Billfred Co., an Arizona corporation whose address and principal place of business is 25 West Thomas Road, Phoenix, Arizona, 85013, is hereby designated agent for service of process pursuant to A.R.S. § 29-304.

4. PARTNERS. The name and place of business of each member is as follows:

EXHIBIT C

GENERAL PARTNERS

Frederick E. Kallof

25 West Thomas Road
Phoenix, Arizona 85013

Billfred Co., Arizona
corporation

25 West Thomas Road
Phoenix, Arizona 85013

5. TERM. The term for which the Partnership is to exist begins upon the date when a Certificate shall have been filed for record in the Limited Partnership records of the Secretary of State of Arizona, and shall continue until December 31, 1990, unless sooner terminated by law or under the provisions of this Certificate.

6. RETURN OF CONTRIBUTIONS. A Limited Partner shall not be entitled to withdraw any part of his Capital Account nor to receive any distributions from the Partnership except as provided in Articles 7, 15 and 18 hereof. If a partner has received the return of any part of his contribution without violation of the partnership agreement, he is liable to the limited partnership for a period of one year thereafter for the amount of the returned contribution, but only to the extent necessary to discharge the limited partnership's liabilities to creditors who extended credit to the limited partnership during the period the contribution was held by the partnership. A partner receives a return of his contribution to the extent that a distribution to him reduces his share of the fair value of the net assets of the limited partnership below the value as set forth in the certificate of limited partnership of his contribution.

7. ALLOCATION AND DISTRIBUTION OF PROFITS AND LOSSES.

7.01 Allocation of Profits and Losses between General Partners and Limited Partners. The General Partner shall allocate all cash flow, net profits, losses, property distributions, other income, tax deductions and losses and any other distributions (hereinafter collectively referred to as "distributions") as follows:

Ninety-nine (99%) Percent shall be allocated to the Limited Partners and One (1%) Percent shall be allocated to the General Partners.

7.02 Allocation of Distribution among the General Partners. All General Partners shall share equally in the General Partner's share of any distributions.

7.03 Allocation of Distributions Among Limited Partners. When the General Partners decide a distribution should be made, they shall declare a particular date and time as the record time. No special notice of this announcement or the record date need be given to a limited partner; it is sufficient if he is notified of these events after the fact, when distribution is made to him or any other limited partner. Any transferee of a limited partnership unit is at risk that a distribution may be made to his transferor under these provisions before he is formally substituted as a Limited Partner of the limited partnership. Said transferee has no recourse against the limited partnership.

The Limited Partner's share will be distributed to such Limited Partners as are shown on the limited partnership records on the record date and time provided that they have been formally admitted as limited partners by an amendment of these articles as provided for herein.

Each Limited Partnership Unit (LPU) which has been validly issued whose owner has been admitted to the Limited Partnership creates the right of the Limited Partnership to own and process seventy-eight (78) tons of head ore under the Limited Partnership's purchase agreement and license with Jobe Investment Co., provided all terms and conditions of that contract have been fulfilled. The net proceeds of production from any tonnage attributable to the Limited Partnership shall be held by the General Partners in a partnership account or accounts pending distribution or other use of the funds. When the General Partners have declared a distribution is to be made in accordance with this Article, each LPU will receive one-two hundredths (1/200) of the amount of such distribution. Any amounts not distributed in a given distribution because of the fact that all 200 LPUs may not have then been issued to an admitted Limited Partner shall be kept in the partnership account(s). When the entire tonnage of head ore which the Limited Partnership is entitled to process under its purchase agreement and license with Jobe Investment Co. has been processed, and the net profits therefrom have been received by the Limited Partnership, the General Partners may terminate the Limited Partnership in accordance with Article 18 hereof, and distributions to the Limited Partners may be made in the ratio of the LPUs held by each Limited Partner to the total number of LPUs validly issued and outstanding, owned by admitted Limited Partners. Similarly, if, at any time prior to dissolution, the General Partners determine to cease absolutely the offering for sale of additional LPUs, and record the amendment to these articles provided for by Article 9 hereof, then any further distributions to the Limited Partners shall be made in the ratio of the LPUs held by each Limited Partner to the total number of LPUs validly issued and outstanding, as shown in the amendment.

7.04 WHEN DISTRIBUTIONS WILL BE MADE. The General Partners shall have sole discretion as to amounts and timing of distributions. The General Partners have the discretion to retain in the partnership any funds or other assets that might be available for distribution as they determine may be in the best interests of the partnership. Distributions to General Partners and Limited Partners (as a group) may be made at different times.

7.05 LIMITED PARTNERSHIP REGISTRATION NUMBER. The Limited Partnership shall register with the Internal Revenue Service (IRS) as a possible "tax shelter" within the meaning of IRS Code § 6111 et seq. and shall obtain a registration number, which shall appear on all checks constituting distributions to investors, and all reports of tax losses and financial statements of the Limited Partnership. Each Limited Partner must include this number on his individual tax return when reporting any Limited Partnership loss or income.

8. TRANSFER AND ASSIGNMENT OF LIMITED PARTNERSHIP INTERESTS.

8.01 Assignments. Limited Partners may assign and transfer all or any part of their interest in the partnership without need for consent of any limited partner, but: (1) assignee or transferee shall not be deemed a substitute limited partner or entitled to exercise or receive any of the rights, powers or benefits of a limited partner unless such assignee or transferee has been approved, consented to and accepted by the General Partners as a substituted Limited Partner and formally substituted as such, (2) if the interest so transferred is less than the entire interest of the transferor, neither the interest transferred nor the interest retained may be less than one unit, which limitation will, however, be inapplicable to transfers by gift or by operation of law, and (3) in the opinion of counsel for the partnership, in his absolute discretion, obtained at the sole cost and Federal Income tax purposes. All transfers and assignments of interest in the partnership will be effective as of the date on which an amendment to this

limited partnership agreement is filed with the Secretary of State of Arizona substituting the transferee as a limited partner and indicating the withdrawal of the transferor. All costs of transfer or assignment, including reasonable attorney fees of the partnership, shall be paid by the requesting limited partner and shall be a charge on his interest.

8.02 Amendment to Certificate. The General Partners will cause the Certificate of Limited Partnership to be amended at least once every thirty (30) days to effect the substitution of such substituted limited partners as may have been approved and accepted by the general partners. Each limited partner hereby consents to the execution on his behalf by the general partners (under the authority granted to the general partners under the power of attorney contained in Article 19) to such amendments to this agreement for the purpose of substituting or admitting limited partners, and the general partners are hereby granted the right to admit substituted limited partners.

8.03 Rights of Substituted Limited Partners. Any limited partner's legal representative, successor in interest or assignee who has become a substituted limited partner shall have all of the rights and powers of, shall be subject to all of the restrictions applicable to, shall assume all of the obligations of, and shall attain the status of his predecessor and shall in all respects be a limited partner under and pursuant to this agreement.

8.04 General Partners. The interest of a general partner in the partnership may not be transferred without the consent of all limited and general partners except General Partners may transfer all or part of their interest to each other.

8.05 TAX SHELTER REGISTRATION NUMBER. The transferor of any Limited Partnership Unit shall give the transferee the Limited Partnership tax shelter registration number and shall keep a record of the transferee's name, address and tax payer ID number, and shall transmit this information in writing to the General Partners as soon as possible after any transfer, along with other pertinent details of the transfer. ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE INTERNAL REVENUE SERVICE.

9. ADDITIONAL LIMITED PARTNERS. The right of the General Partners to admit limited partners not as assignees or transferees under Article 8, but by virtue of sales of Limited Partnership Units after formation is as follows:

9.01 Procedure for Admission of Limited Partners. A person who has subscribed to a purchase of a limited partnership unit under the terms and conditions set forth in this certificate, shall be admitted as an additional limited partner in the partnership effective upon the filing of an amendment to the Limited Partnership Certificate with the office of the Secretary of the State of the State of Arizona. General Partners will cause such an amendment to be filed no later than thirty (30) days after an acceptance by the General Partners of a subscription for purchase of limited partnership units, provided that the limited partnership has been formed. Subscriptions which have been accepted on behalf of the limited partnership by the prospective general partners before the partnership formation shall be admitted as additional limited partners within thirty (30) days after the formation of the partnership. No consent of any limited partner unit holder is necessary for filing any amendment to admit, substitute, or evidence the withdrawal of any limited partner.

9.02 Contents of Admission Amendment. The Admission Amendment shall

set forth (a) the name of the limited partnership; (b) the date of filing of the Certificate of Limited Partnership; (c) the name and business address of the limited partner to be added or substituted or withdrawn as a limited partner of the partnership; (d) the number and agreed value of limited partnership units subscribed for by the limited partner to be admitted; (e) the unit number to be assigned to such units for purposes of profit participation under the terms of this Certificate; (f) the initial contribution of capital of such limited partner, stated in dollar amounts or in a description of the goods and services and/or monies to be contributed to the capital; (g) a statement to the effect that no additional contributions are agreed to by such limited partner regarding the writs mentioned; (h) that the limited partner to be added agrees to and adopts each and every other term of the certificate of limited partnership and all amendments thereto, and such other terms and conditions as the General Partners deem in their sole discretion appropriate.

9.03 Limitation of Admissions. One or more Admission Amendments may be filed for the purpose of admitting Additional Limited Partners to the Partnership, provided that in no event shall Additional Limited Partners subscribing for more than two hundred (200) limited partnership units be admitted to the Partnership. No more than thirty-five (35) Limited Partners who are Arizona residents will be admitted to the Partnership. The General Partners may elect at any time to totally cease the offering for sale of additional Limited Partnership Units, and upon such cessation, shall execute an amendment to the Limited Partnership Agreement reciting that this Article 9 is no longer effective, that no additional Limited Partners may be admitted and stating the total number of Limited Partnership Units outstanding.

9.04 Subsequent Admission. Except for admission of Additional Limited Partners to the Partnership in the manner provided in this Article 9, no one may subsequently be admitted to the Partnership as a Limited Partner except as a substituted limited partner under Article 8.

10. CONTINUATION OF BUSINESS. Upon the death, resignation or withdrawal of all General Partners, the Partnership shall be dissolved, but the limited partners shall have the right to continue the business of the Partnership as described in Section 12.03 of this Certificate.

11. DISTRIBUTION OF PROPERTY. Limited Partners do not have the right to demand property other than cash in return for their contribution.

12. THE GENERAL PARTNERS.

12.01 Capital Contribution of General Partners. The General Partners shall contribute jointly the sum of \$100 to the Partnership. A General Partner may, if he chooses to do so, subscribe for one or more limited partnership units as a Limited Partner and in such event, such General Partner shall have, in addition to his rights, duties and obligations as a General Partner hereunder, obligations to the Partnership and an interest in the Partnership arising out of these limited partnership units.

12.02 Appointment of Additional General Partners. The General Partners herein designated, together with any additional General Partners hereafter appointed in the manner herein provided, may with the consent of the holders of all limited partnership units then outstanding and all General Partners, appoint one or more successor or additional General Partners, who, upon execution of a counterpart of this Certificate as a General Partner and the filing of it with the office of the Secretary of State of the State of Arizona, shall assume

all of the rights and obligations of the General Partner originally designated herein.

12.03 Reformation of Partnership. If at any time there is no General Partner in office, the holders of all of the limited partnership units then outstanding and whose rights have not been suspended may, within ninety (90) days following the occurrence of the event resulting in there being no General Partner in office, vote and agree in writing to reform the Partnership and elect one or more successor General Partners to continue the business of the Partnership. An amendment to this Limited Partnership Certificate shall be filed with the Secretary of State of the State of Arizona setting forth: (a) the name and business address of such additional General Partners; (b) any change in the place of business or agent for service of process from those set forth in the original certificate, as amended; (c) the capital contribution of the General Partners; (d) the manner in which the General Partners will share the General Partner's fee and all other disbursements or fees due the General Partners; and (e) such other terms and conditions as the additional General Partners deem advisable.

12.04 Withdrawal of a General Partner and Continuation of the Partnership. A General Partner may withdraw or resign his position by giving written notice of his intention to resign or retire/and delivered it to the Limited Partners and General Partners not less than thirty (30) days prior to the effective date of such retirement or resignation. Such withdrawal or resignation shall not cause a dissolution of the Partnership provided that there remains at least one General Partner, who shall carry on the business of the partnership.

A General Partner may be removed for cause by vote of Limited Partners holding a Seventy-Five (75%) Percent Interest in the Partnership for gross negligence with respect to the property or business of the Partnership or in the event of his adjudication of bankruptcy, adjudication of incompetency, or conviction of a felony.

A General Partner shall cease to be such upon death, incapacity or dissolution of such General Partner.

13. POWER AND AUTHORITY OF THE GENERAL PARTNER.

13.01 The General Partner shall have complete and exclusive control over the management of the business and affairs of the Partnership and each General Partner shall have an equal right to participate in and exercise control over such business and affairs. Except as otherwise specifically provided in this Agreement, the General Partner shall have the right, power and authority, on behalf of the Partnership and in its name, to exercise all of the rights, powers and authority of a Partner of a Partnership without Limited Partners under the Uniform Partnership Act of the State of Arizona, including, without limitation, the power and authority to perform or delegate the performance of any or all of the following:

- (a) To lease or sell property and assets of the Partnership;
- (b) To borrow money and incur indebtedness required for the business and affairs of the Partnership from others or from the Partners or any of their affiliates or third parties and, if necessary or advisable, to secure the repayment of such borrowings and incurring of indebtedness by pledging or otherwise encumbering or subjecting to security interests all or any part of the assets of the Partnership, and to refund, refinance, increase, modify, consolidate or

extend the maturity of any indebtedness created by such borrowings or pledge, encumbrance or other security device, all upon such terms as the General Partner deems, in his absolute discretion, to be in the best interests of the Partnership;

(c) To place record title to, or the right to use, Partnership assets in the name or names of a nominee or nominees for any purpose convenient or beneficial to the Partnership;

(d) To administer all matters in connection with the leasing or purchase of mining property and to enter into agreements with others, including affiliates of the General Partner, with respect to mining and development of such properties, which agreements shall contain such terms, provisions and conditions as the General Partner deems, in his absolute discretion, to be in the best interest of the Partnership;

(e) To purchase from others, at the expense of the Partnership, contracts of liability, casualty and other insurance which the General Partner deems advisable, appropriate or convenient for the protection of the assets or affairs of the Partnership or for any purpose convenient or beneficial to the Partnership;

(f) To lend money to the Partnership;

(g) To employ persons, including affiliates of the General Partner, at the expense of the Partnership and on its behalf, in the operation and management of the Partnership's assets and property, including, but not limited to, supervisory managing agents, consultants, attorneys and accountants, on such terms and for such compensation as the General Partner deems, in his absolute discretion, to be in the best interest of the Partnership;

(h) To make such elections under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of items of Partnership income, gain, loss, deduction and credit as to all relevant matters, as he believes necessary or desirable; and

(i) To perform any acts that are necessary or incidental to effectuating any of the foregoing and to enter into such agreements, contracts, documents and instruments with such parties and to give such receipts, releases and discharges with respect to all of the foregoing and any matters incident thereto, as the General Partner may deem advisable, appropriate or convenient.

(j) If a partner or any of their affiliates make any loans to the Partnership, the amount of such loans shall not be treated as a contribution to the capital of the Partnership, but shall be a debt due from the Partnership, and the amount of any such loans shall be repayable upon such terms and conditions as may be agreed and in any event before distributions to partners on dissolution.

13.02 Limitation on General Partner's Power and Authority. Notwithstanding anything in this Agreement to the contrary, the General Partner shall have no right, power or authority to do any of the following:

(a) Any act in contravention of this Agreement;

(b) Any act which would make it impossible to carry on the ordinary business of the Partnership;

(c) Admit any individual or legal entity as a General Partner or Limited Partner except as permitted by law and this agreement.

13.03 Exercise of Rights and Powers. The authority of the General Partner to take any action required or permitted under the provisions of this Agreement shall in all respects be exercised in his sole and absolute discretion, provided, however, that the foregoing shall not be construed to allow the General Partner to perform any act or fail to act in the performance of his duties hereunder if such act or omission shall constitute fraud, wanton or wilful misconduct or gross negligence. In the event of a dispute among the various general partners, the general partners shall vote on a per capita basis. The General Partner shall be required to devote only such time to the performance of his duties and obligations hereunder as he shall, in his sole and absolute discretion, determine to be necessary or advisable. It is understood and agreed that the General Partner shall not be obligated to devote his full time to the affairs of the Partnership and, may engage in other business ventures and investments, within or without the minerals recovery field, with persons who may be connected with the operations of the limited partnership or others, including conducting activities similar to or in competition with those to be engaged in by the Partnership.

13.04 Indemnification of General Partner. The General Partner shall not be liable, responsible or accountable in damages or otherwise to the Partnership or to any Limited Partner for any act or omission by the General Partner within the scope of the authority conferred on the General Partner by this Agreement or by law unless such act or omission constitutes fraud, wanton or willful misconduct or gross negligence. The Partnership shall indemnify and hold harmless the General Partner from and against any and all liability, loss, damage, cost and expense (including reasonable attorneys' fees) incurred or sustained by such General Partner by reason of any act or omission arising from his activities on behalf of or in furtherance of the interests of the Partnership, including, but not limited to, any judgment, award, settlement and other cost and expense incurred in connection with any actual or threatened proceeding or claim; provided, however, that such General Partner shall not be entitled to indemnification hereunder if such act or omission constituted fraud, wanton or wilful misconduct or gross negligence.

This Section shall inure to the benefit of any present or former General Partner, the officers, directors and controlling shareholders of any Corporate General Partner, the employees and agents of the General Partner, and the heirs, executors, administrators, successors and assigns of any of the foregoing.

13.05 The Partnership shall pay the General Partner a management fee of not less than \$25,000.00 per annum in the first year and \$50,000 annually thereafter. The management fee shall be paid on the date that the Certificate of Limited Partnership is filed with the office of the Secretary of State of the State of Arizona and on the anniversaries thereof.

13.06 Billfred Co. has been inactive and recently became active. A Corporate General Partner aids in continuity of the Partnership in the event of the death, disability or resignation of an individual General Partner.

14. LIMITED PARTNERS.

14.01 Limitation of Power to Control Business. No Limited Partner as such shall have the right or power to take part in any way in the control of the Partnership business, except as may be expressly provided herein or by applicable statutes, provided that if the General Partner shall have purchased an Interest in the Partnership as a Limited Partner, this Section shall in no way restrict the rights, obligations and duties of said person while acting in his capacity as General Partner. In addition, no Limited Partner shall transact any business

on behalf of the Partnership, nor shall any such Limited Partner have the power to sign for or bind the Partnership in any manner.

14.02 Limitation of Liabilities. Notwithstanding anything to the contrary herein contained, the liability of each of the Limited Partners for his share of the losses or debts of the Partnership shall be limited to the total of the Capital Contribution of such Limited Partner, which shall have been paid or payable to the Partnership, plus the proportionate share of such Limited Partner in the income of the Partnership which is undistributed at the time such losses are determined or debts are incurred and his assumption of liability for Partnership indebtedness. In the event that the proportionate share of a Limited Partner in the losses or debts of the Partnership is greater than such total, plus his pro rata share of debts of the Partnership for which no Partner has any personal liability, the excess shall be carried forward and charged against the proportionate share of such Limited Partner in future net profits of the Partnership.

15. LOANS AND ADVANCES BY PARTNERS.

15.01 Loans to Partnership. If the General Partner determines that funds are reasonably necessary for maintaining and protecting the assets of the Partnership or conducting its business, the General Partner shall be authorized to borrow funds on behalf of the Partnership on commercially reasonable terms from a commercial lending institution or from one or more of the Partners without the notification to any of the other Partners, provided that the borrowing of funds from Limited Partners and conveyance of assets as security therefore shall be made only to the extent allowed by applicable law.

15.02 Priority of Loans by Partners. If any Partner loans money to the Partnership, the principal and interest with respect to such loans shall be fully paid prior to any distribution of funds to the Partners under the terms of this Certificate unless such loan contains a specific provision to the contrary. Any Partner who shall loan money to the Partnership under the terms of this Article shall be considered an unrelated third party creditor with respect to such loan, to the extent allowed by law.

16. ACCOUNTING, RECORDS, BANKING.

16.01 Books and Records. The books and records of the Partnership, a fully executed copy of this Certificate and all amendments thereto, a current list of the full name and last known business address of each partner, and copies of the partnership tax returns and financial statements for the three most recent years shall be maintained at the principal place of business of the Partnership and each Limited Partner shall have access thereto at all reasonable times. The books and records shall reflect all transactions of the Partnership and be appropriate and adequate for the business of the Partnership. The General Partner shall cause the books and records of the Partnership to be examined annually as soon as practicable after the close of each Partnership accounting year by an independent public accountant or firm of accountants, and the report and opinion of such accountant shall be delivered to the Partnership. Unaudited annual financial statements of the Partnership, including a balance sheet of the Partnership as of the last day of each Partnership year and a statement of its operations for such Partnership year, with such adjustments from the books and records of the Partnership as may be necessary, shall be transmitted to each of the Partners together with the report and opinion of the independent public accountants of the Partnership with respect to such financial statements. All records and statements shall contain the Limited Partnership's tax shelter registration number.

17. REPORTS AND ADJUSTMENTS.

17.01 Reports. The books and records of the Partnership, a fully executed copy of this Certificate and all amendments thereto, a current list of the full name and last known business address of each partner, and copies of the partnership tax returns and financial statements for the three most recent years shall be maintained at the principal place of business of the Partnership and each Limited Partner shall have access thereto at all reasonable times. The books and records shall reflect all transactions of the Partnership and be appropriate and adequate for the business of the Partnership. The General Partner shall cause the books and records of the Partnership to be examined annually as soon as practicable after the close of each Partnership accounting year by an independent public accountant or firm of accountants, and the report and opinion of such accountant shall be delivered to the Partnership. Unaudited annual financial statements of the Partnership, including a balance sheet of the Partnership as of the last day of each Partnership year and a statement of its operations for such Partnership year, with such adjustments from the books and records of the Partnership as may be necessary, shall be transmitted to each of the Partners together with the report and opinion of the independent public accountants of the Partnership with respect to such financial statements.

Within a reasonable period after the close of each year, a report shall be transmitted to each Limited Partner indicating his proportionate share of the profit or loss of the Partnership whether disbursed or not for such year for Federal Income tax purposes. All records and statements shall contain the Limited Partnership's tax shelter registration number.

17.02 Special Basis Adjustments. In the event of a transfer of all or any part of the interest of any Partner for a consideration in excess of the adjusted basis for such interest for Federal income tax purposes, the Partnership may but is not required, to elect to adjust the basis of the Partnership property; provided, however, that in the event of the death of a Partner, such adjustment shall be made only if the General Partner determines such election to be advantageous to the successor in Interest to the deceased Partner. Any adjustments made shall affect only the successor in Interest to the transferring Partner. Each Partner will furnish the Partnership all information necessary to give effect to such election.

17.03 Banking. All funds of the Partnership shall be deposited in a separate bank account or accounts in the name of the Partnership as may be determined from time to time by the General Partner to be necessary or desirable in operation of the business of the Partnership. Withdrawals from such account or accounts shall be made upon checks or other withdrawal orders executed by the General Partner, or by any other persons who may be authorized from time to time to make such withdrawals by the General Partner.

18. DISSOLUTION, TERMINATION AND DISTRIBUTION.

18.01 Dissolution of Limited Partnership. The occurrence of any one of the following events shall cause the dissolution of the Partnership:

- (1) The expiration of the term of this Certificate;
- (2) The determination of the General Partners to dissolve the Partnership;
- (3) The appointment of a permanent or temporary receiver of the assets and properties of the Partnership and the failure of the General Partner to seek the

removal thereof within sixty (60) days after written notice is given to the General Partner from the Limited Partners or any of them requesting such removal;

(4) The adjudication of the Partnership as a bankrupt, the making by the Partnership of an assignment for the benefit of creditors, or the use by the Partnership, whether voluntarily or involuntarily, of any debtor relief proceedings under any present or future law of any state or of the United States;

(5) The levying upon or attachment by process of all assets and properties of the Partnership and the failure of the General Partner to seek to dissolve or satisfy such levy or attachment within thirty (30) days after written notice is given to the General Partner from the Limited Partners or any of them requesting the satisfaction or dissolution thereof;

(6) The death, resignation, retirement, dissolution, removal, bankruptcy, adjudication of insolvency or adjudication of incompetency of a sole General Partner then in office, subject to the right of the limited partners to vote to reform the Partnership and elect a successor General Partner to continue the business of the Partnership in the manner provided in Article 12 of this Certificate; or

(7) When the entire tonnage of head ore which the Limited Partnership is entitled to process under its purchase agreement and license with Jobe Investment Co. has been processed and the net profits therefrom have been received by the Limited Partnership and distributed to the Partners under the terms of this agreement, then the partnership shall be dissolved, as the limited partners have received the entirety of their expectations. If dissolution is had for this reason, all partnership assets besides the profits from the head ore shall pass to the General Partners and all partnership contracts with third parties shall be terminated as soon as is reasonably possible without prejudice to the rights of third parties or creditors in the discretion of the General Partners.

18.02 Winding Up of the Partnership. Subject to any applicable limitations of law, upon dissolution of the Partnership the assets of the Partnership shall be distributed as follows:

(1) All of the debts and liabilities of the Partnership to third parties, including indebtedness to Partners for loans to the Partnership, shall first be paid and discharged; and

(2) The balance of the assets of the Partnership shall be distributed to the Partners as provided in Article 7 and 18.01(7) hereof.

In no event shall the death of any Limited Partner result in dissolution of the Partnership. In the event of the death of any Limited Partner, the personal representative of the deceased Limited Partner shall succeed to the Interest of the deceased Limited Partner in the Partnership subject to the rights of any assignee of the deceased Limited Partner in and to such Interest, and subject to the limitations on transfer contained in Article 8 hereof.

In the event of dissolution of the Partnership, this Certificate shall be cancelled and notice to such effect shall be placed on record as required by law.

18.03 Procedure on Dissolution before Payback of Partners. Upon dissolution under Section 18.02 hereof, each Limited Partner shall look solely to the assets of the Partnership for the return of his investment, and if the

Partnership property remaining for distribution to the limited partners is insufficient to return in full the capital contributions of each Limited Partner, such Limited Partner shall not have recourse against the General Partner or any other Limited Partner. The winding up of the affairs of the Partnership and the distribution of its assets shall be conducted exclusively by the General Partners, who are hereby authorized to do any and all acts and things reasonably deemed necessary or useful for these purposes, provided that the General Partner may delegate his obligations under this Section 18.03 to a liquidating receiver or trustee who shall be a bank, or trust company, or other entity handling assets of the type then owned by the Partnership. The Limited Partners may, by vote of the holders of all of the limited partnership units, appoint such a liquidating receiver or trustee for the purpose of liquidating the assets of the Partnership and any such appointment by the Limited Partners shall supersede the designation herein of the General Partner or such a receiver or trustee, appointed by the General Partner. The person charged with responsibility for winding up the affairs of the Partnership after dissolution shall possess all powers granted herein or by law to the General Partner including, but not limited to, the power to sell, transfer or otherwise dispose of any real or personal property of the Partnership without the consent of or concurrence by any Limited Partner or other person.

19. AMENDMENTS AND POWER OF ATTORNEY.

19.01 No alterations, modifications, amendments or changes to the Agreement will be effective or binding upon the parties unless the same shall have been agreed to by the General Partners and by seventy-five percent (75%) in interest of the Limited Partners, except with respect to Admission Amendments, as provided in Articles 8, 9 and 19 of the Partnership Agreement and any amendments necessary to terminate the Partnership and exercise any powers or duties granted by law to the General Partner to amend.

The General Partners will amend the Partnership Agreement at least once every thirty (30) days to effect the substitution or addition of any Limited Partners as may have been approved and accepted by the General Partners.

On its own motion or upon receipt of a written request for adoption of an amendment to the Partnership Agreement executed by Limited Partners owning at least twenty-five (25%) percent interest in the Partnership, the General Partners will implement a plan whereby the Limited Partners may vote upon the adoption of such amendment. If Limited Partners holding seventy-five (75%) percent interest in the Partnership vote in the affirmative, and each General Partner has consented thereto, the proposed amendment will be adopted and binding upon all parties to the Partnership Agreement, and each of the Partners must execute such documents, including an amendment to the Partnership Agreement, as are necessary to render such amendment effective.

19.02 Other Amendments to this Certificate. This Certificate shall further be amended by the General Partners without need for limited partners' approval upon the occurrence of any of the events specified by Arizona law.

19.03 Power of Attorney. Each Limited Partner by executing a counterpart of this Certificate or by executing an Admission Amendment whereby he agrees to be bound by the terms of this Certificate, and each assignee or transferee of a Limited Partner accepting such transfer or assignment or executing an agreement to be bound by the terms of this Certificate does thereby constitute and appoint each General Partner as his true and lawful attorney-in-fact, in his name, place and stead to execute, acknowledge, swear to, verify, deliver, file and publish,

if necessary: (1) all amendments, alterations or changes to this Certificate, including amendments adding or substituting Limited Partners, if otherwise authorized under this Certificate; (2) all instruments which effect a change in the Partnership or a change in this Certificate; (3) all Certificates or other instruments necessary to qualify or maintain the Partnership as a limited partnership or a partnership in which the Limited Partners have a limited liability in the jurisdictions where the Partnership may conduct business; and (4) all instruments necessary to effect a dissolution, termination and liquidation of the Partnership and cancellation of this Certificate when such dissolution, termination, liquidation or cancellation is otherwise provided in this certificate. The power of attorney granted by this Section 19.03 shall be deemed coupled with an interest and shall survive the death or disability of a Limited Partner or the assignment or transfer of all or any part of the Interest of such Limited Partner and shall be irrevocable. The power of attorney granted by this Section 19.03 may be exercised by the General Partner for each Limited Partner by listing all of the Limited Partners executing any instrument with a single signature of the General Partner acting as attorney-in-fact for all of them.

20. MISCELLANEOUS PROVISIONS.

20.01 Notices. Any notices, payment, demand, or communication required or permitted to be given by any provision of this Certificate shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party to whom the same is directed, or if sent by registered or certified mail, postage and charges prepaid, addressed as follows:

If to the General Partner, to their respective address set out in Article 4 hereof.

If to a Limited Partner, to the address of such Limited Partner for purposes of notice as shall be set forth in the Admission Amendment executed by such Limited Partner or other Agreement executed by such Limited Partner in which he shall have agreed to be bound by the terms and conditions of this Certificate.

Any such notice shall be deemed to be given on the date on which the same was deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and sent as aforesaid.

Any Limited Partner may change his address for purposes of notice by notice of such change given to the General Partner in the manner herein specified, and the General Partner may change his address for purposes of notice by notice given to each of the Limited Partners in the manner herein specified.

20.02 Meetings of Partners; Voting. In any matter described in this Certificate on which any Partner is entitled to grant (or deny) his consent or cast his vote, such Partner may accomplish the same by attending any meeting convened for all of the Partners entitled to vote on the matter or he may grant to any person a special or general power of attorney or proxy to vote for him at any such meeting or he may specifically grant (or deny) his consent in writing. Said written consent may be utilized at any meeting of the Partners or it may be utilized, without a meeting, in obtaining consent of Partners to a matter submitted to all Partners entitled to grant (or deny) consent on said matter. The General Partner may in his discretion convene a meeting for any purpose, and the General Partner shall convene a meeting upon receiving a written consent signed by the holders of twenty-five (25%) percent of the limited partnership units provided that no action taken at any such meeting shall be binding on the General Partner for the Partnership except to the limited extent herein specifically provided.

All votes shall be in writing, but if for some reason a written vote is lost, omitted or not accomplished, this will not cause the vote to be defective; the vote in question will be considered as having been given in writing so long as the minutes of the meeting have recorded the vote.

20.03 Headings. The headings in this Certificate are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Certificate or any provision hereof. All tenses and gender of words used herein shall be for convenience and shall not affect the construction of this certificate. Singular includes the plural and masculine includes the feminine or neuter and vice versa.

20.04 Severability. Each provision of this Certificate is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or enforceability of the remainder of this Certificate.

20.05 Sole Agreement. This Certificate and the power of attorney contained herein together with Admission Amendments executed by Additional Limited Partners, constitute the entire understanding of the parties hereto with respect to the subject matter hereof and no amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly approved and executed by the General Partner and the Limited Partners as provided in this Certificate.

20.06 Application of Arizona Law. Interpretation hereof shall be governed exclusively by the terms of the laws of the State of Arizona.

20.07 Execution in Counterparts. This Certificate and any amendments hereto may be executed in any number of counterparts, either by the parties hereto and their successors or their duly authorized attorneys-in-fact, with the same effect as if all parties had signed the same document. All counterparts shall be construed as and shall constitute one and the same instrument.

20.08 Waiver of Action for Partition. Each of the parties irrevocably waives during the term of Limited Partnership created hereunder any right that he may have to maintain any action for partition with respect to the property of the Partners and Partnership.

20.09 Acknowledgement of Contract with Affiliated Parties and Waiver of Lien Rights. The Partners hereby acknowledge the existence of an executory contract between the Partnership and Jobe Investment Co., an Arizona corporation, and an affiliate of the General Partners, whereby the Partnership will pay certain of its capital to Jobe in exchange for certain head ore and the non-exclusive license for use of certain land and facilities for operations to be conducted on Jobe's land. In that agreement, the Partnership expressly waives any lien or ownership rights of any kind as to the real property in question, any stock-piled or in process ores until they have been identified as the Limited Partnership's ore by their use in production, and all real estate fixtures or personal property of all kinds, including motorized equipment and tools which may have been purchased or improved with partnership capital.

20.10 Binding Effect on Successors. Subject to the limits on transferability and assignment contained herein, each and every of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the successors, transferees, heirs and assigns of the respective

parties hereto. Any reference to the General Partner herein shall be deemed to refer to the General Partner or Partners then in office.

20.11 Independent Activities. Each General Partner and each Limited Partner, notwithstanding the existence of this Certificate, may engage in whatever activities they choose, whether the same be competitive with the Partnership or otherwise, including without limitation, the acquisition, ownership, financing, syndication, development, exploration, mining, improvement, leasing, operation and management of mineral properties without having or incurring any obligation to disclose or to offer any interest in such activities to the Partnership or any party hereto.

21. DEFINITIONS.

21.01 Proceeds. Proceeds shall include all funds received by the Partnership from any source including, but not limited to: contributions to capital, rents, interest, operation of the Partnership business, borrowing and insurance.

21.02 Partnership Operating Costs. Operating Costs shall include all cash expenses and payments made by the Partnership for any purpose other than distribution to the Partners including, but not limited to: management fees to the General Partner, payments of proceeds to Arizona Chemical Company or other operator or contractor, sales taxes, reasonable and necessary business expenses such as management fees, principal and interest payments incurred in any borrowing, refinancing, or sale of all or part of the property owned by the Partnership; lease payments, payments to a contract mining company; and the acquisition of any capital asset.

21.03 Cash and Production Proceeds Reserve. Cash and Production Proceeds Reserve of the partnership shall be that amount reserved by the General Partner to maintain the Partnership in a sound financial position with the ability to meet its commitments when due, including reserves necessary to pay outstanding debts, taxes, insurance, repairs, capital improvements, accounting fees, legal fees, survey costs, and all other costs and expenses incident to the business of the Partnership and funds for any contingencies that the General Partner deems necessary to cover with reserves.

21.04 Cash Flow. Cash Flow for any Partnership fiscal year shall mean the Proceeds of the Partnership for such fiscal year in excess of the Operating Costs and changes in Cash and Production Proceeds Reserves for such fiscal year.

21.05 Capital Account. As to any limited partner unit, this account will consist of credits for Unit's Capital Contribution, and debits for any return of capital and for any share of Limited Partnership Profits, and also debited by his share of any Limited Partnership deductions and Loss and Distributions of Limited Partnership cash to such Partner.

21.06 Capital Contribution. The total value of money, assets or services contributed to the Limited Partnership, by a particular limited partner unit, all Partners or any class of Partners or any one Partner (or the predecessor holders of the limited partnership units of such Partner or Partners), as the case may be.

21.07 Net Profits and Net Losses. Net Profits and Net Losses for any Partnership fiscal year shall be the amount of such Net Profits or Net Losses as

shown on the Partnership's Federal income tax return filed for such fiscal year.

21.08 Head ore shall mean the tonnage of ore that the Limited Partnership is entitled to process under its purchase agreement and non-exclusive license from Jobe Investment Co., amounting to seventy-eight (78) tons for each unit sold. Head ore shall be identified and title to it shall pass to the Limited Partner when said ore is processed in production, not preliminary, operations.

21.09 Limited Partnership Unit (LPU). One of the minimum of 50 and a maximum of 200 units sold by the partnership.

21.10 Partners. Partners shall mean all general partners and all limited partners.

21.11 Offering Memorandum. The Offering Memorandum is the Private Placement Memorandum for La Paz Precious Metals Limited Partnership dated August 1, 1985.

IN WITNESS WHEREOF, the undersigned have hereto set their hands and seals, all as of the day and year first above written.

Signed, sealed, sworn to, and delivered in the presence of:

GENERAL PARTNER:

Witness

Frederick E. Kallof

Notary Public

BILLFRED COMPANY

BY: _____

Frederick E. Kallof
President

SUBSCRIPTION AGREEMENT

To the Designated General Partners for La Paz Precious Metals Limited Partnership, a Limited Partnership to be formed under the laws of the State of Arizona:

I hereby subscribe to _____ Units of Limited Partnership Interest in La Paz Precious Metals Limited Partnership, a limited partnership to be formed by you under the laws of the State of Arizona (the "Partnership"), valued at \$5,000 cash or noncash capital contribution per Unit as described in the Private Placement Memorandum dated August 1, 1985, for a total investment of \$ _____. (and/or for contribution of the assets or services described in the executory contract between myself and the General Partners on behalf of the Partnership attached hereto and made a part hereof by this reference.)

I represent and warrant that I am acquiring the Units for my own account, to hold for investment, with no present intention of dividing my participation with others or reselling or otherwise participating, directly or indirectly, in a distribution of the Units, and I shall not make any sale, transfer or other distribution of the Units in violation of the Arizona Securities Act or the rules and regulations promulgated thereunder or any other applicable state securities statute or regulation, or in violation of the Securities Act of 1933, as amended (the "1933 Act"), or the rules and regulations promulgated thereunder by the Securities and Exchange Commission (the "SEC").

I have been advised that the Units have not been registered under the Arizona Act in reliance upon the exemption set forth therein, or have not been registered under the securities laws of any other state in reliance upon applicable exemptions therefrom and that the Units are not being registered under the 1933 Act on the grounds that this transaction is exempt from registration under Section 4 (2) of the 1933 Act and the rules thereunder as not involving any public offering. I have been further advised that reliance by the General Partner on such exemptions are predicated in part on my representations set forth in this Agreement.

I agree that I may not sell, transfer or dispose of the Units unless I meet the prerequisites set forth in the Limited Partnership Agreement.

I further represent and warrant to the General Partners that:

(a) I have carefully read and understand the terms of this Subscription Agreement and have to the extent I felt necessary discussed its requirements and other applicable limitations upon my resale of the Units with my counsel.

(b) I have read and understand in its entirety the Private Placement Memorandum dated August 1, 1985, and have had the opportunity to ask questions and receive answers about the offering and to obtain additional information for verification purposes. I hereby represent and warrant that I am twenty-one (21) years of age or older and that I satisfy the standards of suitability set forth in the Private Placement Memorandum.

I hereby irrevocably constitute and appoint the General Partner with full power of substitution, as my true and lawful attorney, in my name and place to execute and deliver in my behalf the Limited Partnership Agreement in the form and substance as is attached as an exhibit to the Private Placement Memorandum

EXHIBIT D

and to execute, verify, file, and record the Certificate of Limited Partnership and any amendments thereto and to do all other things in my name and place required to form and maintain the Limited Partnership under the laws of Arizona. This power of attorney shall be deemed coupled with an interest, shall be irrevocable and shall survive my death or incapacity.

I hereby enclose my check in the amount of \$_____ payable to "La Paz Precious Metals Limited Partnership Trust Account", as cash capital contribution for the Units subscribed by me or I hereby submit the executory agreement attached hereto as my noncash capital contribution along with my check, as aforesaid, for any difference. I understand that this deposit and originals of all executory contracts shall be returned to me in the event that this Subscription Agreement is not accepted by the General Partners or in the event that the Partnership is not formed as contemplated herein. I also agree to perform the executory contract upon the partnership's formation in consideration of acceptance of this subscription and the contract.

This Subscription shall be binding upon the Partnership only when approved and accepted on behalf of the Partnership by the Designated General Partner and upon it's formation. Formal status as a limited partnership will be achieved only upon filing by the General Partners an amendment to the Certificate of Limited Partnership naming you as a Limited Partner.

Dated: _____

(Signature)

(Name - PLEASE PRINT)

Sworn to and subscribed
before me this _____ day
of _____, 198_.

AMOUNT ENCLOSED: \$ _____

NOTARY PUBLIC

Witness

APPROVED & ACCEPTED for La Paz Precious Metals Limited Partnership this
_____ day of _____, 198_.

BILLFRED CO.

By: _____
Frederick E. Kallof
General Partner

BY: _____
General Partner

Admission Amendment
To The
Certificate and Agreement of Limited Partnership
Of
LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP

THIS AGREEMENT is made and entered into as of this _____ day of _____, 198_, by and among Frederick E. Kallof and Billfred Co. (the "General Partners") and the Additional Limited Partners, whose names appear on the Signature Pages attached hereto, ("Additional Limited Partners"), for the purpose of amending the original Certificate and Agreement of Limited Partnership (the "Original Certificate") of La Paz Precious Metals Limited Partnership (the "Partnership"), an Arizona Limited Partnership. The Original Certificate was filed in the Office of the Secretary of State, in Maricopa County, Arizona, on _____, 1985 and recorded in Book _____, Page _____ in the Limited Partnership Records in the Office of the Secretary of State. This Agreement is for the purpose of admitting the Additional Limited Partners to the Partnership in the manner and upon the terms set forth in the Original Certificate.

WITNESSETH :

WHEREAS, the General Partners have heretofore caused the Partnership to be formed upon the terms set forth in the Original Certificate; and

WHEREAS, the Original Certificate provided for the admission of Additional Limited Partners into the Partnership by amendment of the Original Certificate in the manner therein set forth; and

WHEREAS, the Additional Limited Partners desire admission to the Partnership in accordance with the terms and conditions of the Original Certificate and have executed their Signature Pages attached to this Admission Amendment for the purpose of gaining admission to the Partnership; and

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto, after being duly sworn, do hereby agree and certify as follows:

I. Admission of Additional Limited Partners. The Additional Limited Partners are hereby admitted to the Partnership in accordance with the terms and conditions of the Original Certificate as amended.

II. Adoption of Original Certificate. The Additional Limited Partners hereby each adopt, accept, ratify, confirm and agree to be bound by the terms and provisions of the Original Certificate and to perform all obligations therein imposed upon Limited Partners with respect to the Units of Limited Partnership Interest (the "Units") subscribed by each of them. Each Additional Limited Partner hereby further, without limitation of the foregoing, adopts, ratifies and confirms the appointment of the General Partner as his agent and attorney-in-fact for the purposes and to the extent set forth in the Original Certificate.

III. Amendment to Provisions of Original Certificate. The Original Certificate is hereby specifically amended to include the names and residence addresses of and amounts of cash contributed to the Partnership by each Additional Limited Partner. Each Additional Limited Partner's share of profits shall be as provided in the Original Certificate in accordance with his contribution.

EXHIBIT E

IV. Recertification. Except as herein specifically amended, the Original Certificate shall remain and continue in force and effect.

GENERAL PARTNER

BY: _____
Frederick E. Kallof

BILLFRED COMPANY

Witness

Notary

BY: _____

Signature Page to Admission Amendment to Certificate and Agreement of Limited Partnership of La Paz Precious Metals Limited Partnership executed by Additional Limited Partner.

The undersigned hereby executes and seals this Admission Amendment (the "Amendment") to the Certificate and Agreement of Limited Partnership (the "Certificate") of La Paz Precious Metals Limited Partnership (the "Partnership"), an Arizona Limited Partnership and subject to acceptance by the General Partner, does hereby adopt, ratify, confirm and agree to be bound by all of the terms and provisions of the Certificate as herein amended.

The undersigned hereby appoints the General Partners as his attorneys-in-fact with full power of substitution to attach this Signature Page to the Amendment, all of which he shall file and record as required. This power of attorney shall be deemed coupled with an interest, shall be irrevocable and shall survive my death or incapacity.

Date: _____

NAME: _____
(Please Print or Type)

No. of units subscribed by
Additional Limited Partner: _____

SIGNATURE: _____ (SEAL)

Value of Capital Contribution
of Additional Limited Partner
\$ _____
(\$5,000 x No. of units)

SOCIAL SECURITY NO: _____

RESIDENCE ADDRESS: _____

Signed, sealed, sworn to and delivered in the presence of:

Notary Public

Witness

ACCEPTED BY GENERAL PARTNERS this _____ day of _____, 198__.

Frederick E. Kallof

BILLFRED COMPANY

BY: _____

GENERAL PARTNERS

THIS SECURITY MAY ONLY BE TRANSFERRED AFTER COMPLIANCE WITH THE PROVISIONS OF THE CERTIFICATE AND AGREEMENT OF LIMITED PARTNERSHIP, WHICH REQUIRES THE CONSENT OF THE GENERAL PARTNERS AND THE LIMITED PARTNERSHIP'S COUNSEL. THIS SECURITY HAS NOT BEEN REGISTERED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SECURITIES HAVE NOT BEEN REGISTERED FOR SALE UNDER THE ARIZONA SECURITIES ACT, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED THEREOF. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACTS OR IN A TRANSACTION WHICH IS EXEMPT OR OTHERWISE IN COMPLIANCE WITH SUCH ACTS.

LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP
SUBSCRIPTION INSTRUCTIONS

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- | | |
|--|---|
| A. Investor Qualification Letter | Units will be offered and sold only to qualified investors who have completed and delivered to the General Partner an Investor Qualification Letter. The purpose of this letter is to provide information as to the suitability of subscribers pursuant to the requirements of Rules thereunder and Section 4(2) of the Securities Act of 1933. It is understood that the information provided is confidential. |
| B. Offeree Representative Questionnaire
(if appropriate) | The Offeree Representative Questionnaire must be completed by each subscriber's Offeree Representative (s), if any. |
| C. Subscription Agreement | Complete and sign Subscription Agreement. A copy of the Subscription Agreement is provided as Exhibit "D" to the Memorandum and should be read in its entirety. It contains various statements and representations of subscribers. You will be sent a copy of the entire Subscription Agreement accepted by the General Partners after your admission to the Partnership as a Limited Partner. |
| D. Signature Page to Admission Amendment to Certificate and Agreement of Limited Partnership | Complete and sign the Admission Amendment to Certificate and Agreement of Limited Partnership Signature page. <u>Proper notarization is required.</u> A copy of the Limited Partnership Agreement is provided as Exhibit "C" to the Memorandum. |
-
- | | |
|---------|---|
| Payment | \$5,000 per Unit payable to "La Paz Precious Metals Limited Partnership Trust Account" or the submission of an executed written contract to provide goods or services meeting with the approval of the General Partners and/ or cash. |
|---------|---|
-
- | | |
|-----------------------------------|--|
| Deliver all items and payment to: | La Paz Precious Metals Limited Partnership, 25 W. Thomas Road, Phoenix, Arizona, 85013 |
|-----------------------------------|--|
-

RESCISSION INFORMATION

ANY PERSON WHO PURCHASES THE SECURITIES OFFERED HEREBY SHALL HAVE THE UNQUALIFIED AND UNWAIVABLE RIGHT TO RESCIND SUCH PURCHASE WITHIN THREE BUSINESS DAYS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE ANY SECURITIES OFFERED HEREBY, THE DELIVERY OF A CONFIRMATION OF SALE, OR THE PAYMENT FOR ANY SECURITIES OFFERED HEREBY, WHICHEVER SHALL OCCUR FIRST.

RESCISSION MAY BE ACCOMPLISHED BY COMPLETING AND DELIVERING BY HAND OR CERTIFIED MAIL THE FORM LETTER APPEARING ON THE NEXT PAGE OF THIS MEMORANDUM TO THE PARTNER-SHIP AT:

LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP

25 West Thomas Road

Phoenix, Arizona 85013

Frederick E. Kallof, General Partner
La Paz Precious Metals Limited Partnership
25 West Thomas Road
Phoenix, Arizona 85011

Dear Sir:

By this notice, the undersigned does hereby exercise the right to rescind the purchase of _____ Units of Limited Partnership Interest in La Paz Precious Metals Limited Partnership upon which the undersigned has advanced or paid a total monetary consideration of \$_____.

This rescission is being made by delivering or mailing this notice within three (3) business days of execution of a written agreement to purchase the above partnership interest, the delivery of a confirmation of sale, or payment or submission of an executory contract for said ownership interest, whichever occurred first.

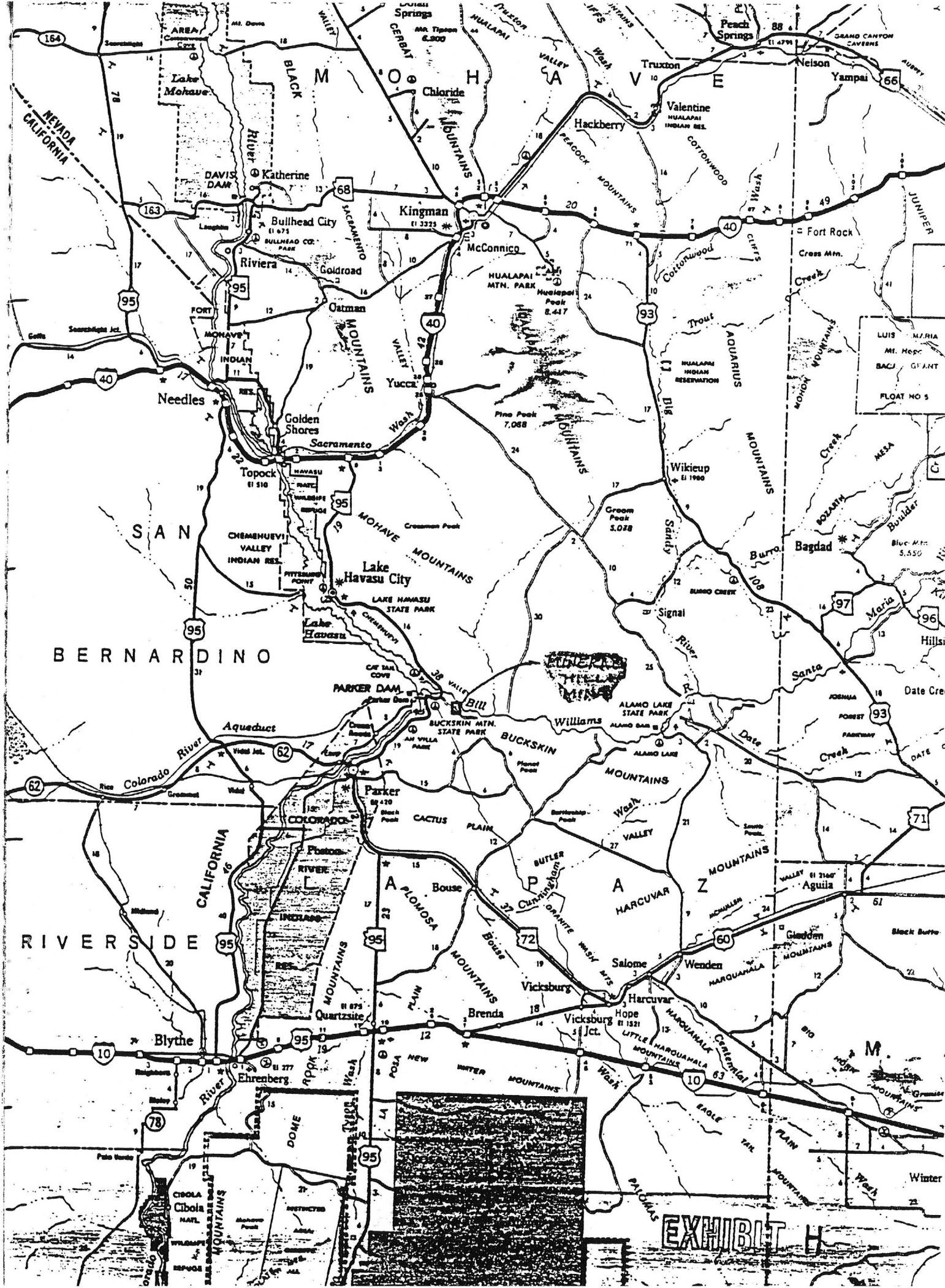
The undersigned understands that within seven (7) days of receipt of this notice by the General Partner, he is entitled to a return of, and/or rescission of the executory contract, all monies advanced or paid by him for said partnership interest. The undersigned also understands that he shall also be returned, within said seven (7) day period, any document he has signed evidencing his obligation to make a future payment and/or deliver goods or services for said partnership interest.

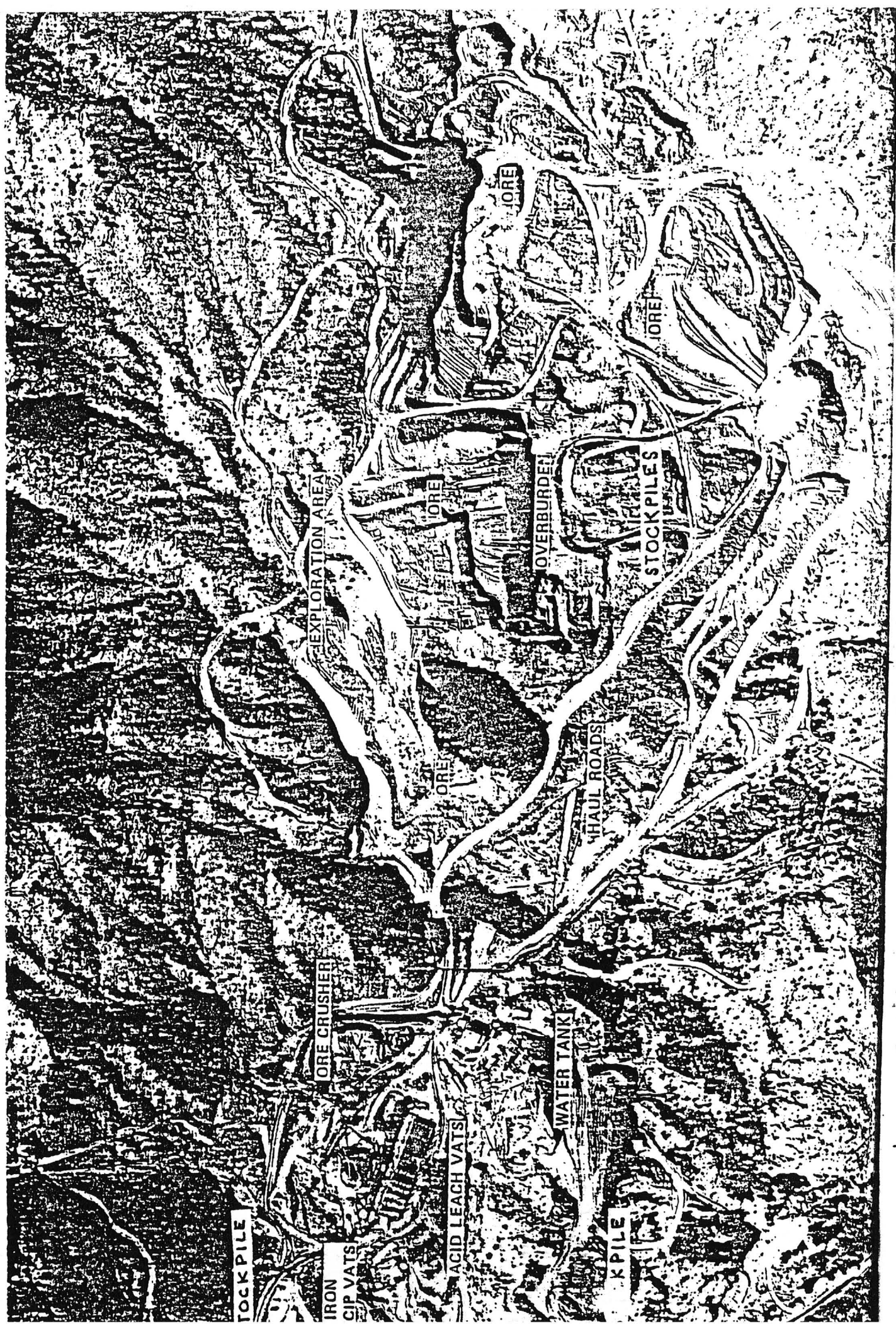
The undersigned further understands that no person connected with the sale of said partnership interest shall contact him for the purpose of influencing the withdrawal of this notice of rescission or for the purpose of making further sales of partnership interests prior to the return to him of all consideration given by him for said partnership interest.

(Signature)

(Street Address)

(City, State, Zip Code)







ALVIN C. JOHNSON, JR., Ph.D.
EXPLORATION GEOCHEMIST
1707 EAST WEBER DRIVE, SUITE 8
TEMPE, ARIZONA 85281

SUMMARY REPORT ON MINERAL HILL PROPERTY, LA PAZ COUNTY, ARIZONA

Introduction

The purpose of this report is to summarize the precious element extraction work performed to date on the tailings and reserve piles located at the Mineral Hill copper property in La Paz County, Arizona. This work was done under the auspices of Mr. Fred Kallof of Phoenix, Arizona.

Testing and Evaluation

This project was specifically structured to test a variety of precious element concentrating and recovery techniques on various tailings and reserve piles located on the Mineral Hill property. These piles contain in excess of 1,000,000 tons of ore measured and considerably more than this that has not been accurately measured. Preliminary fire assay analysis indicates a Au content of between 0.25 and 0.50 Troy ounces per ton and a Ag content of from 2 to 5 or more Troy ounces per ton. It was found during the fire assay analyses that platinum group elements were likely present in significant amounts (see enclosed article). Subsequent high temperature emission spectrographic analysis clearly demonstrates the presence of Au, Ag, and all six of the platinum group elements in these ore piles.

Two general methods of concentrating the precious element values from the ore piles were evaluated: a) gravity concentration, and b) chemical leaching.

EXHIBIT J

- a) Gravity concentration. Approximately 2,500 pounds of random samples from the ore piles were gravity concentrated by a combination of impact milling and Wilfley table concentration. The total table concentrates (fractions 1 through 3) consisted of 78 pounds. The precious element values showed an increase in value per ton in these concentrates, but the values in the tailings comprised almost 50 percent of the total values of the mill heads. For this reason gravity methods of concentration are not recommended for this ore.
- b) Chemical leaching. A number of leach tests were made using NaCN and also thiourea as the primary chemical. In general the use of NaCN was not satisfactory.

With a 10 hour agitation time thiourea at a concentration of 12 pounds per ton of water yielded 0.15 Troy ounces of Au and 3 Troy ounces of Ag per ton of head ore. The platinum group content in these recovered values was not analyzed for. The use of thiourea with this type of ore would require batch leaching with agitation.

Due to the refractory nature of the ore at the Mineral Hill property a proprietary leaching chemical, which is an organic chelating compound, was tried on a number of composite samples from the ore piles. This chelating compound, referred to as CAT-2, is non-pathogenic, environmentally safe, and easily applied in a leaching system. Experimentation with the CAT-2 compound indicates that a leaching retention time of approximately 30 minutes with agitation will achieve the maximum precious element recovery with this system on the Mineral Hill ore. The removal of the precious elements and other contained

elements from the CAT-2 solution is done chemically with the use of a sodium sulfide-bearing complex. These precipitates, dried and roasted, consist of from 1 to 15 percent precious elements. The Cu content of these precipitates is approximately from 5 to 15 percent. Following are average values of precious elements in the precipitates from the CAT-2 leaching of the Mineral Hill ore piles. These values were obtained with high temperature emission spectrographic analysis.

<u>Element</u>	<u>Troy oz/ton head ore</u>
Ag	1.2
Au	0.07
Pd	0.04
Pt	0.11
Ir	0.35
Os	0.31
Rh	0.12
Ru	0.32

Based on the average metal prices in November, 1984 as published in the Engineering & Mining Journal the gross value per ton of head ore for the Mineral Hill ore would be approximately \$670.

It is estimated that for a pilot plant capable of running 5-10 tons of head ore per hour the CAT-2 chemical cost would be approximately \$20-25 per ton of ore. Depending on the recovery in the CAT-2 leaching solution the cost of the sodium sulfide-bearing precipitating chemical should be approximately \$15-25 per ton of head ore. The sulfide precipitates from the chelate leach system will probably have to be

thermally reduced to metal in an inert atmosphere prior to sale or further refining if so desired.

Respectively submitted,

Alvin C. Johnson, Jr.
Alvin C. Johnson, Jr., Ph.D.
1/21/85

EXHIBIT 1

A.S.T. LABORATORIES, INC.

- ATOMIC SPECTROSCOPY & TESTING -

~~2330 E. Sweetwater Ave. • SCOTTSDALE, AZ 85260 • (602) 948-6907~~
7340 E. Sweetwater Ave.

CERTIFIED TEST REPORT

5311

DATE: October 26, 1984
HEAT NO:
CUSTOMER: MR.F.E. KALLOF, P.A.
PART NO:
OUR P.O.: Verbal (Dr.A.Johnson)
S/N:
SNO:
SPECIFICATION:
MATERIAL: Ore (Concentrate)

☐ Metallography

☐ Hardness

☒ Chemistry
Semi-quant

☐ A.A.

Lead was used as a collector of Noble Metals
Analysis of Pb-Button for Ag,Au & PGE'S

Ag	161	oz/T
Au	96	4.67
Pd	64	2.78
Pt	193	1.86
Ir	3211	5.60
Os	1605	93.12
Rh	257	46.53
Ru	1766	7.45
		51.21

1 ppm = .029 ozs/t

All values in ppm

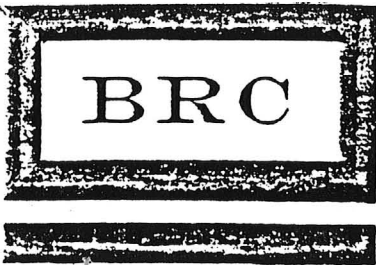
The elements shown are in the values indicated and are present in the sample in an uncombined state, or in physical combination with other material; or in a chemical compound with other elements. Such elements may or may not be recoverable in the quantities indicated.

Respectfully submitted

[Signature]
A.S.T. LABORATORIES, INC.

Reports are submitted as the confidential property of clients. Authorization for publication of our reports, conclusions, or extracts from or regarding is reserved pending our written approval as a mutual protection to clients, the public and ourselves.

EXHIBIT K



BAHAMIAN REFINING CORPORATION
CUSTOM REFINERS. COMPLETE ANALYSIS & FLOWSHEET DESIGN

9222 N. 14TH AVE.. PHOENIX, ARIZ. 85021
TELEPHONE (602) 279-9702

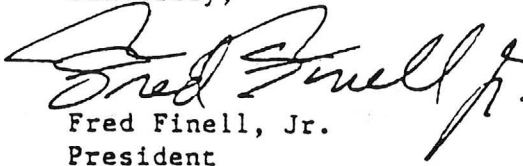
August 15, 1985

Fred Kallof
Jobe Investment Co.
P. O. Box 7765
Phoenix, AZ 85011

Dear Mr. Kallof:

Attached is the report showing our recovery on your Sample using the Synergistic Recovery System Lab Bench test. The button we recovered is taped to the attached sheet. Please call if you have any questions.

Sincerely,


Fred Finell, Jr.
President

FF:kt

ENC.

SARAFIAN REFINING CORPORATION

CUSTOM REFINERS. COMPLETE ANALYSIS & FLOWSHEET DESIGN

9222 N. 14TH AVE., PHOENIX, ARIZ. 85021
TELEPHONE (602) 279-9702

NAME: FRED KALLOF JOBE INV. CO. DATE: August 14, 1985

ADDRESS: P. O. Box 7765 Phoenix, AZ 85011

By hydrochemical and ferometallurgical methods, the actual values recovered from your sample are as follows:

Sample	Au Oz/T	Au Value @ \$325	Ag Oz/T	Ag Value @ \$ 6.25	Pt Group Indication	Total Value Per Ton**
SAMPLE	.11	35.75	.29	1.81	+++	\$37.56

* * * * *

Based on your sample, the theoretical gold recovery for various methods commonly used is as follows:

Cyanide Heap Leach 30 % of fire recovery.

Flotation 65 % of fire recovery.

Specific Gravity 95 % of fire recovery.

The average theoretical recovery LOSS of gold values using the above methods is 5 % to 70 %.

* * * * *

Using the SYNERGISTIC RECOVERY SYSTEM, the total values recovered from your sample are as follows:

Sample	Au Oz/T	Au Value @ \$ 325	Ag Oz/T	Ag Value @ \$ 6.25	Pt Group Indication	Total Value Per Ton**
SAMPLE	2.063	670.48	.491	3.07	+++	\$673.73

The SYNERGISTIC RECOVERY of Au is 1875.4% of fire recovery on your sample.

This represents ADDITIONAL GOLD VALUES of \$ 634.73 /Ton using the SYNERGISTIC RECOVERY SYSTEM.

The SYNERGISTIC RECOVERY SYSTEM test we have done for you, while it is a three day lab test, is the same procedure as that used in the continuous flow production plant, except for the following:

1. Physical size of the vats.
2. The lab is a batch procedure; the plant is continuous flow.
3. A standard chemical formula is used in the lab, whereas the chemical formulation used in a plant is fine-tuned to the ore being processed.
4. Gold recovery is generally higher in a plant than in the lab. Sufficient data is not available to determine differences (if any) in the recovery of silver or platinum group metals.

**Not including Pt group value, if any.

As a mutual protection to clients, the public and this corporation, this report is submitted and accepted for the exclusive use of the client to whom it is addressed and upon condition that it is not to be used, in whole or in part, in any advertising or publicity matter without prior written authorization from this corporation.

EXHIBIT K



COPPER STATE ANALYTICAL LAB, INC.

REGISTERED ASSAYER

D.A. SHAH
AZ Reg. #8888

710 E. EVANS • TUCSON, AZ 85713

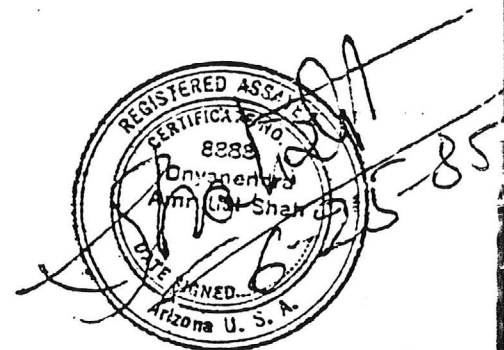
PH: (602) 884-58

KLF International, Inc
25 West Thomas Road
Phoenix AZ 85013

Attn.: Mr. Fredrick E. Kallof

Job No: 003747
Date Recvd.: 06/14/85
Reported: 06/25/85
Project: N/A
Invoice#: C 4374

Sample No	Au opt	Ag opt	Pt opt
<i>pile 2</i> Black Cryst #1	0.003	0.06	0.003
Black Cryst	0.065	0.52	0.050
p-Next Precip.	0.001	<0.05	<0.00



End of Report

EXHIBIT K

NORTH AMERICAN LABORATORIES, INC.

CERTIFICATE OF ANALYSIS

Client Name: Fred Kallof
 Address: P.O. Box 7765
 Phoenix, AZ 85011
 Telephone: 285-0921

Job Number: MA-2072
 Date: June 30, 1985

Submitted by: Fred Kallof
 Date Received: 6/11/85

Copies to:

Additional Info:

Client I.D.	Lab #	ICP and AA						
		Au	Ag	Pt	Pd	Ir	Rh	Ru
		-----oz/ton-----						
File 2 D. West Ore	1	.006	.03	<.1	<.1	<.5	<.5	<.5
Roasted Cond.	2	.367	.32	<.1	<.1	<.5	<.5	<.5
"AST" Treatment	MHM3	.012	.31	<.1	<.1	<.5	<.5	<.5



These analyses are based on materials supplied by the client to whom and for whose exclusive and confidential use this report is made. North American Laboratories, and its officers and employees assume no responsibility and make no representations as to the productivity or profitability of any mineral deposit in connection with which this report is made.

We will store the PULPS for ONE YEAR in case you desire further analysis. They will be returned to you if you so request or be discarded after one year.

Mineral and Water Analysis

1022 West 23rd Street • Tempe, AZ 85282 • (602) 894-0919

EXHIBIT 11

Due to Client



REFINING & CASTING INC.
3064 N. 30th Ave. Suite #3
Phoenix, Arizona 85017

(602) 278-GOLD

Short - Customer owes Standard Mint ounces

Long/Short derived by subtracting

☒ Yes ☐ NoAttached ☐ Yes ☒ No

I warrant and represent to Spectrum Refining and Casting Inc. that I have complied with all laws governing receipt, storage, and reporting requirements related to such Materials. In accordance with this warrant and representation, I hold Spectrum Refining and Casting Inc. harmless from

Shipping No.

Receiving No.

MINERAL HILL MINE

Customer Name

Address

City

State

Zip

Phone

943-2163

Account Executive

Dealer's License No.

PRODUCT TYPE (A)	GROSS RECEIVING WEIGHT (B)	BOUGHT OUTRIGHT (C)	ESTIMATE % PURE (D)	ESTIMATED OUNCES (E)	SPOT PRICE (F)	TOTAL VALUE (G)	REFINE (H)	CONFIRM NUMBER (I)	AFTER MELT WT (J)	ASSAY % (K)	SETTLEMENT OUNCES (L)	LONG/SHORT (M)	FROM POOL INVOICE #
1. COPE					320/AU 6.50/AG	11350/Tol				13.502/Ton 3.202/Ton		LS	
2.												LS	
3.												LS	
4.												LS	
5.												LS	
6.												LS	

(P) CHARGES AND PAYMENTS

Assay \$15.00

Handling

Shipping

Melting

Processing

Hedging

Other

TOTAL \$15.00

RESERVED FOR INTERNAL USE

Assay from 95.3 grms
of cons
13.502/Ton Gold
3.202/Ton Silver
Trace / PT Group

(O) SPECIAL HANDLING INSTRUCTIONS

Assay Sample declined Initials

PAYMENTS

Net Due

Other Charges (P) \$

Due to Client

Date

How Paid: ☐ Cash ☐ Check☐ Partial ☐ In Full

DEFINITIONS

Long - Customer is owed ounces by Standard Mint

Short - Customer owes Standard Mint ounces

Long/Short derived by subtracting

Col (L) from Col (E)

Settlement ounces = Col (J) x Col (K)

I warrant and represent to Spectrum Refining and Casting Inc. that I am a duly licensed dealer in the Materials represented in this document, which I deliver to Spectrum Refining and Casting Inc., and that I have complied with all laws governing receipt, storage, and reporting requirements related to such Materials. In accordance with this warrant and representation, I hold Spectrum Refining and Casting Inc. harmless from all claims and fines that arise from my breach hereof.

SIGNATURE OF DEALER



REFINING & CASTING INC.
3064 N. 30th Ave. Suite #3
Phoenix, Arizona 85017

(602) 278-GOLD

Receipt Date 7-8-85	Expected Settlement Date	Invoice Number N2 10438
Assay Required <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Work Sheet Attached <input type="checkbox"/> Yes <input type="checkbox"/> No	Customer Number
Shipping No.	Receiving No.	Customer Name Arizona Chemicals
		Address
		City State Zip Phone
Account Executive Chris Edwards		Dealer's License No.

PRODUCT TYPE (A)	GROSS RECEIVING WEIGHT (B)	BOUGHT OUTRIGHT (C)	ESTIMATE % PURE (D)	ESTIMATED OUNCES (E)	SPOT PRICE (F)	TOTAL VALUE (G)	REFINE (H)	CONFIRM NUMBER (I)	AFTER MELT WT (J)	ASSAY % (K)	SETTLEMENT OUNCES (L)	LONG/SHORT (M)	FROM POOL INVOICE #
ORE CON	SAMPLE #1	Black										L S	
ORE CON	SAMPLE #2	Red										L S	
												L S	
												L S	
												L S	
												L S	
												L S	

(P) CHARGES AND PAYMENTS

Assay **\$35.00 / per sample**
Handling _____
Shipping _____
Melting _____
Processing _____
Hedging _____
Other _____
TOTAL \$ **\$70.00**

PAYMENTS

Net Due _____
Other Charges (P) \$ _____
Due to Client _____

RESERVED FOR INTERNAL USE

#1
Black → 2 to 3 Gold
12.58 Silver
2- trace PTS

Red #2 - 40.53 Gold
- 3.18 Silver
- Trace PTS

DEFINITIONS

Long - Customer is owed ounces by Standard Mint
Short - Customer owes Standard Mint ounces

(O) SPECIAL HANDLING INSTRUCTIONS

pb ck # 994

Assay Sample declined _____ Initial _____

I warrant and represent to Spectrum Refining and Casting Inc. that I am a duly licensed dealer in the Materials represented in this document, which I deliver to Spectrum Refining and Casting Inc., and that I have complied with all laws governing receipt, storage, and reporting requirements related to such Materials.

EXHIBIT K

TAX SHELTER REGISTRATION NUMBER

You have acquired an interest in La Paz Precious Metals Limited Partnership whose taxpayer identification number is (applied for). The Internal Revenue Service has issued La Paz Precious Metals Limited Partnership the following tax shelter registration number (applied for).

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE, IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN LA PAZ PRECIOUS METALS LIMITED PARTNERSHIP.

You must report the registration number (as well as the name, and taxpayer identification number of La Paz Precious Metals Limited Partnership on Form 8271.

FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

EXHIBIT "L"

RECEIPT

_____, 19
_____, Arizona

I, _____, have this day received copy number _____ of a Private Placement Memorandum dated August 1, 1985, regarding La Paz Precious Metals Limited Partnership, a prospective decision regarding my investment in this Limited Partnership. I have reviewed and agree to the restrictions contained in the "preliminary Conditions to Review of this Offering" beginning at page i in the Private Placement Memorandum.

I agree not to disclose the contents of this Memorandum to anyone besides my investment counselors, not to reproduce the Memorandum in whole or in part, and to promptly return the Memorandum to the Offering Agent or the General Partners should I decline to invest.

BY: _____

WITNESS:
