

# State of Idaho

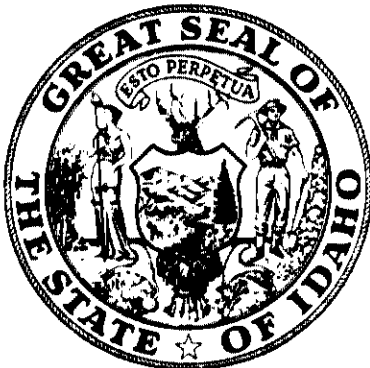
## Department of State.

CERTIFICATE OF REGISTRATION  
OF  
HOPE-PONDEROSA OREG. LTD.

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

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Registration to HOPE-PONDEROSA OREG. LTD.  
to transact business in this State under the name HOPE-PONDEROSA OREG. LTD. LIMITED PARTNERSHIP and attach hereto a duplicate original of the Application for Registration.

Dated July 18, 1983



*Pete T. Cenarrusa*

SECRETARY OF STATE

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

**APPLICATION FOR REGISTRATION OF  
FOREIGN LIMITED PARTNERSHIP**

To the Secretary of State of the State of Idaho:

Pursuant to the provisions of Chapter 2, Title 53, Idaho Code, the undersigned <sup>Mr. J.R. Thompson</sup> ~~limited~~ Partnership hereby applies for registration to transact business in your State, and for that purpose submits the following statement:

1. The name of the limited partnership is Hope-Ponderosa Oreg. Ltd.
  
2. The name which it shall use in Idaho is Hope-Ponderosa Oreg. Ltd. *Limited Partnership*
  
3. It is organized under the laws of Uniform Limited Partnership Act of Oregon
  
4. The date of its formation is August 25, 1981
  
5. The address of its registered or principal office in the state or country under the laws of which it is organized is J. M. Miller, 161 High St., S.E., PO Box 230, Salem, OR 97308
  
6. The name and street address of its proposed registered agent in Idaho are Melvin Frazier,  
1821 S. Juniper St., #17, Nampa, Idaho 83651.
  
7. The general character of the business it proposes to transact in Idaho is:  
Own and operate apartment complexes, located in McCall, Idaho and  
Meridian, Idaho.
  
8. The names and business addresses of its partners are (must be completed only if not included in the certificate of limited partnership):

Name	General or Limited	Address
See attached Certificate of Limited Partnership dated August 25, 1981,		
September 22, 1981, January 11, 1982, and May 26, 1983.		

(continued on reverse)

8. (Continued)

Name	General or Limited	Address
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

Dated July 11 \_\_\_\_\_, 19 83.

Hope-Ponderosa Oreg. Ltd.

By *Mark E. Miller*

Mark E. Miller, A General Partner

STATE OF Oregon )  
  ) ss:  
COUNTY OF Marion )

I, Marolyn J. Trapp, a notary public, do hereby certify that on this 11th day of July, 19 83, personally appeared before me Mark E. Miller, who being by me first duly sworn, declared that he is a general partner of Hope-Ponderosa Oreg. Ltd.

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

*Marolyn J. Trapp*  
Notary Public

My Commission expires 7-4-87.

# State of Oregon

## Department of Commerce Corporation Division

JUL 18 10 08 AM '83  
SECRETARY OF STATE

I, **Frank J. Healy**, Corporation Commissioner and Custodian of the Seal of the Corporation Division of the Department of Commerce of the State of Oregon, do hereby certify that I have carefully compared the annexed copy of Certificate and Amendments of Certificate of Limited Partnership of HOPE - PONDEROSA OREG. LTD.

with the record now on file in my office, and that the same is a correct transcript therefrom, and of the whole thereof. I further certify that this authentication is in due form and by the proper officer.

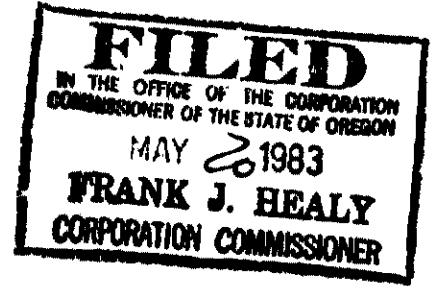
**In Testimony Whereof**, I have hereunto set my hand and affixed hereto the seal of the Corporation Division of the Department of Commerce of the State of Oregon this 5th day of July, 19 83.



**Frank J. Healy**  
Corporation Commissioner

By *Myra E. Lumbow*

AMENDED AND RESTATED  
ARTICLES OF LIMITED PARTNERSHIP  
OF  
HOPE - PONDEROSA OREG. LTD.



The undersigned partners, pursuant to ORS 691.20 and that power of attorney granted to the General Partners as stated below, desire to amend its Articles of Limited Partnership as currently filed in the office of the Corporation Commissioner of the State of Oregon.

1. DATA: The following information is hereby incorporated in this Amended and Restated Certificate wherever referred to and as necessary to provide its fair meaning:

- 1.1 Partnership Name: Hope - Ponderosa Oreg. Ltd.
- 1.2 Power of Attorney Granted in Section Number: 21
- 1.3 General Partners' Adjusted Cash Capital Contributions: \$(18,049)  
Limited Partners' Adjusted Cash Capital Contributions: \$271,887

2. ADDITIONAL AND SUBSTITUTE LIMITED PARTNERS: The Limited Partners listed on Schedule A have each subscribed to a counterpart of the Articles of Limited Partnership and have been admitted by the General Partners as Limited Partners of this Partnership. Each such partner has that address and has contributed the amount of capital for the number of Units set opposite his name.

We the undersigned, declare under the penalties of perjury, that we have examined this Amended and Restated Certificate of Limited Partnership and to the best of our knowledge and belief it is true, correct and complete.

DATED AND EXECUTED this 10th day of May, 1983.

GENERAL PARTNERS:

LIMITED PARTNERS:

(as set forth in Schedule A)  
(signed by power of attorney)

\_\_\_\_\_  
J. N. Miller

\_\_\_\_\_  
J. N. Miller  
(Attorney-in-Fact)

\_\_\_\_\_  
Mark E. Miller

\_\_\_\_\_  
Mark E. Miller  
(Attorney-in-Fact)

SCHEDULE A

<u>Limited Partners</u>	<u># Of Units</u>	<u>Capital Account</u>
Richard D. Baker Edith M. Baker 7707 McDonald Circle Corvallis, Oregon 97330	.5	\$ 6,533
Lawrence Wendell Baker 275 Allen Avenue Springfield, Oregon 97477	1	\$ 13,066
Roy M. Clark Leslie B. Clark 7635 S.W. Miner Way Portland, Oregon 97225	1	\$ 13,066
Lawrence T. Eschelman 3519 Dogwood Drive South Salem, Oregon 97302	1	\$ 13,066
Avery G. Foote 3820 S.W. Mt. Adams Drive Portland, Oregon 97201	2	\$ 26,131
Donald J. Fromherz, D.M.D. Barbara D. Fromherz 590 Dearborn N.E. Salem, Oregon 97303	1	\$ 13,066
Karen K. Gates 3467 Champlain Court N.W. Salem, Oregon 97304	1	\$ 10,563
F. N. Halm D. E. Halm 433 N.W. 33rd Street Corvallis, Oregon 97330	1	\$ 13,066
Robert B. Ironside 6019 S.W. Woods Court Portland, Oregon 97221	1	\$ 13,066
Gene M. Lear Ruth C. Lear 3735 N.W. VanBuren Avenue Corvallis, Oregon 97330	1	\$ 13,067
Derek S. Lipman, M.D. 252 Stampher Road Lake Oswego, Oregon 97034	1	\$ 13,067

<u>Limited Partners</u>	<u># Of Units</u>	<u>Capital Account</u>
Peter J. McGovern, M.D. Mary N. McGovern 3040 Stonebridge Way Lake Oswego, Oregon 97034	1	\$ 13,067
Dr. Joseph Meyer Ora Mae Meyer 480 W. River Street P.O. Box 216 Cave Junction, Oregon 97523	2	\$ 26,131
Gerald C. Olson, D.M.D. 302 Spyglass Drive Eugene, Oregon 97401	1	\$ 13,067
Ray A. Schoppert Irene P. Schoppert 38720 S.E. Serban Road Sandy, Oregon 97055	1	\$ 13,067
John E. Vaughn Connie A. Vaughn 270 Kevin Court S.E. Salem, Oregon 97306	.5	\$ 6,533
William Voelker Judith Voelker 1155 Harritt Drive N.W. Salem, Oregon 97304	1	\$ 13,067
G. J. Weinert Anne V. Weinert 14533 N.E. 1st Bellevue, Washington 98007	1	\$ 13,067
John E. Zook Jeanne P. Zook 246 N.E. 130th Place Portland, Oregon 97230	2	\$ 26,131

FILE NO. LP-2836

TABLE OF CONTENTS  
AMENDED AND RESTATED  
ARTICLES OF LIMITED PARTNERSHIP  
HOPE - PONDEROSA OREG. LTD.

**FILED**  
IN THE OFFICE OF THE CORPORATION  
COMMISSIONER OF THE STATE OF OREGON  
JAN 11 1982  
FRANK J. HEALY  
CORPORATION COMMISSIONER

<u>Item No.</u>	<u>Caption:</u>	<u>Page No.</u>
1	Data	B-2
2	Formation	B-5
3	Registered and Principal Office and Agent for Service of Process	B-5
4	Purpose	B-5
5	Term	B-6
6	Capital Contributions	B-6
7	Compensation for Services	B-7
8	Profits, Losses and Distribution of Available Cash from Operations	B-9
9	Advances from General Partners	B-10
10	Powers, Duties and Responsibilities of the General Partners	B-11
11	Indemnification	B-15
12	Liability of Partners	B-15
13	Fiscal Control	B-15
14	Dissolution of Partnership	B-16
15	Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains	B-17
16	Tax Treatment of Certain Gains	B-18
17	Transfer of Partnership Interests	B-19
18	Admission of Additional Limited Partners	B-21
19	Representations and Warranties by Limited Partners	B-21
20	Amendments	B-23
21	Power of Attorney	B-23
22	Miscellaneous	B-25



AMENDED AND RESTATED  
CERTIFICATE OF  
ARTICLES OF LIMITED PARTNERSHIP  
OF  
HOPE - PONDEROSA OREG. LTD.

GENERAL PARTNERS: J. M. MILLER, an individual  
and MARK E. MILLER, an individual,  
161 High Street S.E., Salem, Oregon 97308

MAKES THIS LIMITED PARTNERSHIP AGREEMENT WITH THE

LIMITED PARTNERS: Those individuals executing this Agreement as Limited Partners (hereinafter called individually a "Limited Partner" and collectively the "Limited Partners").

AGREEMENTS

In consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

1. Data: The following dates, percentages, names and references are hereby incorporated in this Agreement whenever referred to and as necessary to provide a fair meaning for any promise or covenant:

1.1 Partnership Name: HOPE - PONDEROSA OREG. LTD.

1.2 Project Addresses:  
Hope Arms - 96 Hope Arms Lane, Meridian, Idaho  
Ponderosa Arms - 1305 Ponderosa Street, McCall, Idaho

1.3 Number of Apartment Units: Hope Arms - 80 Units  
Ponderosa Arms - 17 Units

1.4 Farmers Home Administration (FmHA) Mortgage in the aggregate sum of \$1,643,403.13 (the "Loan"). Estimated Balance as of September 1, 1981, as follows:

Hope Arms	\$1,381,377.82
Ponderosa Arms	262,025.31
Total Mortgage	<u>\$1,643,403.13</u>

Recourse Mortgage Liability of the Limited Partners: None

1.5	<b>Cash Capital Contributions:</b>		
	General Partners:		\$ 6,313
	Limited Partners:	\$600,000	
	Additional Initial Limited Partner:	<u>27,497</u>	
	Total Limited Partners:		\$627,497

**Summary of General and Limited Partners' Interests:**

		<u>General Ptnrs. %:</u>	<u>Limited Ptnrs. %:</u>
1.5.1	Net Operating Profits and Losses:	5%	95%
	Annual Net Cash Distributions From Operations until \$1,800 has been distributed to the Limited Partners for each Unit annually:	5%	95%
	And surplus Annual Net Cash Distributions from operations annually:	30%	70%
	Residue from Capital Transactions until each Limited Partner has recovered his Total Cash Contribution as stated in Section 1.5 in the aggregate:	1%	99%
	Thereafter, until each Limited Partner has recovered \$1,800 per Unit for each full year owned (prorated from date of subscription):	5%	95%
	And any Residue remaining shall be distributed:	30%	70%
1.5.2	After effect has been given to the distribution of cash on dissolution, all taxable gain on sale shall be allocated ratably to all Partners as necessary to raise their debit capital accounts to zero. The remaining taxable gain shall be distributed:	30%	70%
1.5.3	Net Cash Distributions from Operations if realized during any year, but not paid to either the Limited or General Partners, shall be cumulative, noncompounded, and be paid first from funds available for that purpose, prior to any payment of capital contributions on dissolution, but following payment of all debts of		

the Partnership. Whenever paid, it shall be paid to the Partners in the ratio stated in 1.5.1, (see Section 8.1).

- 1.6 Number of Units of Participating Interest: 21  
Cash Contribution Per Unit: \$30,000, minimum purchase is 1 Unit, except as permitted in Section 6.3  
Approximate Percentage of Interest in the Limited Partnership Interests per Unit: 4.76%
- 1.7 Compensation to General Partners or affiliates. The General Partners or affiliates shall be paid:
- 1.7.1 A General Partners' Salary for services rendered during 1981 of 25% of gross income, with a maximum of \$6,962; 1982 of 7% of gross income, with a maximum of \$6,386; 1983 of 5% of gross income, with a maximum of \$4,990; 1984 of 4% of gross income, with a maximum of \$3,669; 1985 of 3% of gross income, with a maximum of \$3,074; and 1986 of 1% of gross income, with a maximum of \$1,546.
- 1.7.2 A Partnership Management Fee payable in 1981 in the amount of 22% of gross income, with a maximum of \$5,988; 1982 of 6% of gross income, with a maximum of \$5,510; 1983 of 4% of gross income, with a maximum of \$4,551; 1984 of 3% of gross income, with a maximum of \$3,833; 1985 of 2% of gross income, with a maximum of \$2,875; and 1986 of 1% of gross income, with a maximum of \$1,198.
- 1.7.3 A Property Management Fee as approved by FmHA from time to time based on the Gross Potential fair market rents which sum is \$20,804 as of September 1, 1981 and as provided by a voluntary contract between Rockwood Development Corporation and the Partnership (subject to the limitations of Section 7.3).
- 1.7.4 An Incentive Management Fee of 80% of the accrued but unpaid "limited dividend" distributions which accrued prior to Partnership acquisition of the Project to the extent the accrual of these distributions is allowed by FmHA and is cumulative (subject to the limitations of Section 7.4).
- 1.7.5 A Limited No Negative Cash Flow Guarantee Fee payable in 1981 in the amount of 16% of gross income, with a maximum of \$4,279; 1982 of 5% of gross income, with a maximum of \$3,934; 1983 of 4% of gross income, with a maximum of \$3,251; 1984 of 3% of gross income, with a maximum of \$2,738; 1985 of 2% of gross income, with a maximum of \$2,053; and 1986 of 1% of gross income, with a maximum of \$856.

2. **Formation:** The parties hereto do hereby form a Limited Partnership pursuant to the Uniform Limited Partnership Act of Oregon, named as stated in Section 1.1 above (hereinafter called "Partnership").
  
3. **Registered and Principal Office and Agent for Service of Process:** The address of the initial registered office of the Limited Partnership and its principal place of business shall be 161 High Street S.E., P.O. Box 230, Salem, Oregon 97308, (503) 364-5500, except as the General Partners shall otherwise designate. The name of the initial registered agent at such address is J. M. Miller. The General Partners designate said initial registered agent, as well as any successor registered agent, as their personal registered agent and attorney upon whom any process, notice or demand which arises out of the conduct of the Partnership affairs and which is required or permitted by law to be served upon a General Partner, may be served.
  
4. **Purpose:** The purposes and powers of the Partnership shall be as follows:
  - 4.1 To provide adequate housing for eligible persons in furtherance of the purposes of Section 515 of the Housing Act of 1949.
  - 4.2 To acquire for such purposes that real property located where stated in Section 1.2, and as more fully described on Exhibit "A", attached hereto and by this reference made a part hereof.
  - 4.3 To own said projects (Project) consisting of the number of Units stated in Section 1.3 together with mortgages provided by the Farmers Home Administration (FmHA) as stated in Section 1.4 (the "Mortgage").
  - 4.4 To mortgage, sell, transfer and exchange or otherwise convey and encumber the Project in furtherance of the business of the Partnership.
  - 4.5 To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to the accomplishment of the development and operation of the Project, including but not by way of limitation, any contract of restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation, including but not limited to the Rural Rental Housing Loan to Individual Operating on Limited Profit Basis Loan Agreement between the Partnership and FmHA. Upon execution, the Loan Agreement and any forms, agreements, contracts, or affirmations as required by FmHA before a transfer of the Project to this Partnership shall be binding upon the Partnership and all of the Partners, whether they become Partners before or after the execution of the Loan Agreement, and said Loan Agreement shall remain binding upon the Partnership and the Partners, so long as a mortgage on the property owned by the Partnership is outstanding, unpaid, and held by FmHA. Any incoming Partner shall, as a condition of receiving an interest in the Partnership property, agree to be

bound by the Note, Mortgage and Loan Agreement and other documents required in connection with the Loan to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to collect the rents therefrom shall pass to any person who is not bound by the Loan Agreement in a manner satisfactory to FmHA. Anything elsewhere to the contrary notwithstanding, in the event of any inconsistency between the terms of this Agreement and the terms of the Loan Agreement, the Loan Agreement shall be controlling.

4.6 To execute a Note and Mortgage in order to obtain the loan stated in Section 1.4 (the "Loan") and other documents required by FmHA in connection with such Loan.

4.7 To rent the Project from time to time, in accordance with applicable Federal, State, and local regulations, collecting the income therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds, except as provided herein, to the General Partners and Limited Partners, subject to any requirements which may be imposed by the FmHA Loan Agreement governing the Project.

5. Term: The Partnership shall commence not later than the date the Articles of Limited Partnership are filed with the Oregon Corporation Commissioner and shall continue for fifty-two (52) years unless earlier dissolved by any one of the events set out in Section 14. The death of a Limited Partner shall not dissolve the Partnership or terminate the Partnership business.

6. Capital Contributions: The following capital contributions shall be made:

6.1 The General Partners shall make a capital contribution as stated in 1.5 to the Partnership and shall provide services as stated herein for agreed fees and salary. The aggregate capital contributions of the General Partners shall at all times equal or exceed one percent (1%) of the aggregate capital contributions of the Limited Partners.

6.2 The persons who execute this Agreement as Limited Partners shall contribute to the capital of the Partnership an aggregate cash amount as stated in Section 1.5 for the number of Units of Limited Partnership Interests as stated in Section 1.6, each Unit representing the Limited Partners' interest in the operating net profits, losses and net cash distributions of the Partnership, as defined in Section 8, and on dissolution of the Partnership Property as defined in Section 14, subject to taxable allocations as defined in Section 16.

6.3 These Units of Limited Partnership Interests and the rights represented thereby are hereafter called "Units". The percentage of interest in the Limited Partnership Interests in the Partnership, as herein defined, of each Limited Partner shall be

the percentage of the Units owned by such Limited Partner as compared to the total outstanding Units, such percentage being as stated in Section 1.6. The Limited Partners shall make their cash contributions to the Partnership as stated on their individually executed Subscription and Counterpart Agreements. Fractional Units may be sold by the General Partners and may be owned as such by Limited Partners. One Unit of Limited Partnership Interest shall also be subscribed by an additional initial Limited Partner. Such Unit shall be subscribed for an amount of \$27,497 and no Underwriting Commission shall be paid or received in connection with such subscription.

6.4 The Partnership shall be responsible for providing equity requirements and working capital as required, but the General Partners shall not be so responsible, except to the extent of their Limited No Negative Cash Flow Guarantee, although they will exercise their best efforts to provide any shortage not funded by capital subscriptions. The Limited Partners shall have no liability to provide funds in addition to their original subscription to construct or otherwise operate the Project.

7. Compensation for Services: The following compensation shall be payable for services rendered to the Partnership, and fees stated in Sections 7.1, 7.2, and 7.2.1 shall be paid only from those funds contributed to the Partnership by the Limited Partners and will not be paid from mortgage proceeds or operating income.

7.1 The General Partners, as a payment for services rendered, including but not limited to, the following: (1) review of management changes requested by FmHA; (2) review and coordination of FmHA Regulations, as they relate to project ownership and proposed FmHA Regulations; (3) preparation and submission of all reports required by Oregon Corporation Commissioner and Idaho Department of Regulatory Agencies and NASD and S.E.C., if applicable; (4) selection and on-going performance review of property management firm, including all procedures, and compliance with FmHA regulations, and all other governmental regulations having jurisdiction over the partnership and/or its projects; (5) developing adequate Partnership records; (6) maintaining an office for the Partnership; and (7) maximizing income to the Partnership during the period stated in Section 1.7.1, shall receive a salary from the Partnership as stated in Section 1.7.1, from the capital contributions made or agreed to be made by the Limited Partners. Such fee is not payable for Partnership organization costs and shall be treated as a necessary and ordinary business expense.

7.2 Rockwood Development Corporation, an affiliate of the General Partners, shall receive that Partnership Management Fee stated in Section 1.7.2, which shall be treated as a necessary and ordinary business expense and shall consist of compensation for, including but not limited to, the following: (1) Coordination of transfers of Limited Partner Units, (2) review of requests for transfer and

maintaining of Partnership records and certificates; (3) correspondence with Limited Partners; (4) preparation and submission of profit and loss and cash flow projections annually to Limited Partners; (5) on-going review and analysis of the opportunities for the disposition and sale of the properties, as well as the refinancing opportunities under FmHA and other refinancing opportunities; (6) review and approval with sufficient detail on all capital expenditures of \$5,000 or more, as required by the management agreement; (7) coordination of lawsuits involving the owner, including condemnation proceedings and all claims and settlements relating to claims under insurance coverages; (8) annual interviews and selection of auditing firm for the Partnership; and (9) review of completed audit and tax return with Limited Partners and their legal and accounting counsel.

7.2.1 Rockwood Development Corporation, an affiliate of the General Partners, shall agree to loan to the Partnership all sums necessary to meet its operating obligations after the Partnership has expended its budgeted working capital of \$83,815. Such loans will bear interest at the rate of 1% greater than the borrowing rate of Rockwood Development Corporation but shall not exceed 3% more than the prime rate of the First Interstate Bank of Oregon and be repaid as provided in Section 15.1.3. In exchange for agreeing to provide the Partnership funds as outlined in this Section 7.2.1, Rockwood Development Corporation shall receive that Limited No Negative Cash Flow Guarantee Fee as stated in 1.7.5.

7.3 Rockwood Development Corporation, an affiliate of the General Partners, shall be paid a Property Management Fee for the Project in the amount stated in Section 1.7.3 unless a different fee is approved by FmHA from time to time. Such fee shall be paid monthly. In the event the Partnership retains third parties to perform a portion or all of the services set forth below, the Partnership will be solely responsible for any fees charged by such persons. Property Management services will include, but not be limited to: (1) review of the maintenance, repair, remodeling and refurbishing of all Partnership Properties; (2) review of rental schedules and recommendations with respect to changes thereto; (3) preparation and review of historical and projected performance and variation analysis; (4) preparation and review of leases, management agreements and maintenance agreements; and (5) review of replacement reserves and working capital and recommendations with respect to changes thereto.

7.4 As an incentive to maximize Partnership earnings, Rockwood Development Corporation shall also be entitled to receive an Incentive Management Fee as stated in 1.7.4. This fee shall be paid from accrued but unpaid "limited dividend" distributions, to the extent allowed by FmHA to be cumulative, which were accrued prior to the Partnership's purchase of the Project. Rockwood

Development Corporation shall be entitled to receive 80% of these accumulated limited dividends as an Incentive Management Fee. All cash available for distribution shall first be applied to bring limited dividends accrued from the date of the Partnership's acquisition of the Project (to the extent allowed by FmHA) current. Such cash will be distributed as Net Cash Available for Distribution. Remaining cash shall be allocated 80% to Rockwood Development Corporation and 20% to the Partnership until such cash equals the unpaid limited dividends accrued prior to the Partnership's acquisition of the Project. Remaining cash thereafter shall be allocated to the Partnership.

- 7.5 If the General Partners, or one of them, provide services for the Partnership as provided in Sections 10.1 and 10.2, such General Partners may receive allowable fees or income for such services.
- 7.6 Should a General Partner be expelled from the Partnership, such General Partner shall be entitled to interest on any loans made subject to the provisions of this Partnership Agreement.
- 7.7 Should a General Partner be expelled from the Partnership according to provisions of Section 10.8 of this Partnership Agreement, or should the Agent's Property Management Agreement be terminated if one of the General Partners or affiliates is the Managing Agent, any portion of the Property Management Fee or any other fee or commission payable according to the provisions of this Section 7 which is then accrued and due, but not yet paid, shall be paid by the Partnership to the General Partners or Agent in cash within 30 days of the date of expulsion as stated in the written notice of expulsion.

8. Profits, Losses and Distribution of Available Cash from Operations:

- 8.1 Net Operating Profits and Losses and Net Cash Distributions from Operations (after payment of all fees) shall be distributed to the Limited Partners (pro rata in the relationship of the number of Units held by each) and the General Partners (divided among them as they agree) as stated in Section 1.5.1. "Net Operating Profits and Losses" are defined as those reported by the Partnership's accountant on the Partnership's annual Partnership income tax information return pursuant to generally accepted accounting principles. "Net Cash Distributions from Operations" is the net operating profit or loss sum stated above, plus non-cash charges (depreciation and amortization), less cash requirements paid or set aside to pay the Mortgage payable, expenses (including management fees), reserves and other liabilities pursuant to generally accepted accounting principles and as allowed by FmHA.
- 8.2 The Net Operating Profits and Losses and Net Cash Distributions from Operations apportioned to the Limited Partners shall be reapportioned among them, pro rata, in relationship to the number of Units owned by each as compared to the total Units



outstanding, even though the percentage of interest per Unit, as stated in 1.6, is exceeded.

- 8.3 From time to time as allowed by FmHA, but at least annually, the General Partners shall distribute the available Net Cash Available for Distribution to the General and Limited Partners entitled thereto, part or all of which may be a return on or of the Partners' initial investment.
- 8.4 No Partner shall receive any interest on his contribution to the capital of the Partnership or have any priority of any kind over any other Limited Partner.
- 8.5 The Partnership is responsible for the payment of all fees in connection with this Partnership as expenses of the Partnership. Reimbursement (other than for organization and offering expenses or other fees described herein) to the General Partners or their Affiliates shall not be made, except for reimbursement of the actual cost to the General Partners or their Affiliates of goods and materials used for or by the Partnership or for services otherwise provided for herein.
- 8.6 Each Partner by his signature hereto specifically recognizes that the Loan Agreement presently prohibits distributions of cash to the Partnership in excess of six or eight percent (6% or 8%) of the Project equity (as determined by FmHA) depending on the particular project, defined as the "Borrower's Initial Investment", in the Loan Agreement. All cash distributions will be subject to the provisions and amendments or modifications of such rules and regulations when promulgated by FmHA.
- 8.7. No Partner shall receive any interest on his contribution to the capital of the Partnership (except interest earned by the Escrow Agent during the subscription period) or have any priority of any kind over any other Limited Partner.
9. Advances from General Partners: The General Partners may advance funds to pay costs incurred in connection with the acquisition of the buildings to the extent cash is not available from the activities of the Partnership, including rentals, capital contributions, and proceeds resulting from an increase in the Loan. The General Partners may make advances or loans to the Partnership to pay its operating costs. For all such advances the General Partners shall receive a promissory note or notes, payable from the first funds available from operating revenue, said notes to bear interest at a rate 1% per annum more than that payable by the General Partners to their lending bank and such notes shall be payable prior to the payment of Cash Distributions to the Partners. Loans by the General Partners to the Partnership shall require the approval of the holders of a majority of the Limited Partnership Units.

10. Powers, Duties and Responsibilities of the General Partners:

- 10.1 The General Partners shall be responsible for the supervision, operation and maintenance of the Partnership business, property, and its accounting records.
- 10.2 Although, as owners, they have no obligation to manage the Project, the General Partners may do so or they may appoint a managing agent and the Limited Partners hereby consent to the employment of such managing agent as the General Partners may engage, notwithstanding the fact that any party hereto may have an interest therein, provided that the amount paid to such managing agent shall not exceed the rates authorized by FmHA. The management fee shall be an expense of the Partnership. It shall be permissible to employ one or more of the General Partners as managers or to engage an agency in which one or more of the General Partners has an interest.
- 10.3 Nothing contained herein, however, shall prevent any of the Partners, General or Limited, from continued engagement in real estate activities other than this Partnership, and no parties herein shall have any interest in such other activities by virtue of this Partnership.
- 10.4 Without limitation of any power that may be conferred upon them by law, the General Partners may engage in activities as hereinafter outlined.
- 10.4.1 The General Partners shall have exclusive authority to manage the operations and affairs of the Partnership and to make all decisions regarding the business of the Partnership. Pursuant to the foregoing, it is understood and agreed that the General Partners shall have all of the rights and powers of a General Partner contemplated by the Oregon Uniform Limited Partnership Act and as otherwise provided by law, and any action taken by the General Partners shall constitute the act of and serve to bind the Partnership.
- 10.4.2 The General Partners are hereby granted the right, power and authority to do on behalf of the Partnership all things which, in their sole judgment, are necessary, proper or desirable to carry out their duties and responsibilities, including but not limited to the right, power and authority to compromise, submit to arbitration, sue or defend all claims in favor of or against the Partnership; to make and revoke any election permitted the Partnership by any taxing authority; to incur all reasonable expenditures; to employ and dismiss from employment any and all employees, agents, independent contractors, real estate managers, brokers, attorneys and accountants; to rent or lease all or any portion of any property for any purpose and without limit as to the term thereof,

whether or not such term (including renewal terms) shall extend beyond the date of the termination of the Partnership and whether or not the portion so rented or leased is to be occupied by the lessee or, in turn, subleased in whole or in part to others; (leases other than month-to-month rental of housing units to eligible tenants will, however, require the prior written approval of FmHA); to create, by grant or otherwise, easements and servitudes; do all acts they deem necessary or appropriate for the protection and preservation of the Partnership's assets; carrying at the expense of the Partnership such as insurance coverage for public liability and all other insurance necessary or appropriate to the business of the Partnership in such amounts and in types as they shall determine from time to time; to borrow money and as security therefor to mortgage all or any part of any property; to construct, alter, improve, repair, raze, replace or rebuild any property; to obtain replacements of any mortgage or mortgages related in any way to the property owned by the Partnership, and to prepay in whole or in part, refinance, recast, modify, consolidate or extend any mortgages affecting any such property; to do any and all of the foregoing at such price, rental or amount, for cash, securities or other property and upon such terms as the General Partners deem proper (provided, however, that in connection with the borrowing of money, recourse for the repayment of which is limited solely to Partnership property, no lender shall be granted or acquire, at any time as a result of making such a loan, any direct or indirect interest in the profits, capital or property of the Partnership other than as a secured creditor); to place record title to any property in its name or in the name of a nominee or a trustee for the purpose of mortgage financing or any other convenience or benefit of the Partnership; and to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

- 10.4.3 The General Partners shall have the right, power and authority to lease, sell, exchange, refinance or grant an option for the sale of all or any portion of the real and personal property of the Partnership, at such rental, price or amount, for cash, securities or other property and upon such other terms as the General Partners in their sole discretion deem proper; provided, that the sale or other disposition of any of the Partnership's assets (except for the sale or other disposition of the final property remaining as a result of sales of properties in the ordinary course of business) shall require the approval of Limited Partners holding a majority of the then outstanding interests.

- 10.4.4 The General Partners shall devote such time to the Partnership business as, in their sole discretion, they shall deem to be necessary to manage and supervise the Partnership business and affairs in an efficient manner; but nothing in this Agreement shall preclude the employment, at the expense of the Partnership, of any agent or third party to manage or provide other services in respect of the Partnership property subject to the control of the General Partners.
- 10.4.5 The General Partners shall not be required to manage the Partnership as their sole and exclusive functions and they may have other business interests and may engage in other activities in addition to those relating to the Partnership, including the rendering of advice or services of any kind to other investors and the making or management of other investments. Neither the Partnership nor any Partner shall have any right by virtue of this Agreement or the partnership relationship created hereby in or to such other ventures or activities or to the income or proceeds derived therefrom and the pursuit of such ventures, even if competitive with the business of the Partnership, shall not be deemed wrongful or improper. The General Partners shall not be obligated to present any particular investment opportunity to the Partnership even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership and each of them shall have the right to take it for their own account (individually or as a trustee) or to recommend to others any such particular investment opportunity.
- 10.4.6 The General Partners may individually or jointly execute such documents as may be required in all dealings with FmHA, including documents necessary to permit such increase (or decrease) in the mortgage note as may be approved by FmHA.
- 10.4.7 No General Partner shall be accountable to the Partnership for any investment or business opportunity which he hereafter becomes aware of by reason of the affairs of the Partnership. Each Partner hereby waives any and all rights which he has now or may have in the future by reason of the doctrine of partnership opportunity.
- 10.5 Neither the General Partner nor any affiliate shall have the authority to:
- 10.5.1 Enter into contracts with the Partnership which would bind the Partnership after the expulsion, adjudication of bankruptcy or insolvency, dissolution or other cessation to exist of the General Partner, or to

- continue the business with Partnership assets after the occurrence of such event;
- 10.5.2 Sell substantially all of the assets of the Partnership in a single sale, or in multiple sales in the same 12-month period, except in the orderly liquidation and winding up of the business of the Partnership upon its termination and dissolution;
  - 10.5.3 Alter the primary purpose of the Partnership as set forth in Section 4, "Purpose", of the Partnership Articles of Limited Partnership;
  - 10.5.4 Receive from the Partnership a rebate or give-up or participate in any reciprocal business arrangement which would enable it or an Affiliate to do so;
  - 10.5.5 Make long-term secured loans to the Partnership and on short-term unsecured loans made to the Partnership, receive interest on other financing charges or fees in excess of those amounts which would be charged by third party financing institutions on comparable loans for the same purpose in the same geographic area, except to the extent permitted by Section 9.
  - 10.5.6 Do any act in contravention of these Articles of Limited Partnership or which would make it impossible to carry on the ordinary business of the Partnership;
  - 10.5.7 Possess any Partnership Property or assign the rights of the Partnership in specific Partnership Property for other than a Partnership purpose;
  - 10.5.8 Admit a person as a General Partner except with the consent of the Limited Partners as provided for in this Partnership Agreement;
  - 10.5.9 Receive any insurance brokerage fee or write any insurance policy covering the General Partner or any of the Partnership Properties;
  - 10.5.10 Employ, or permit to employ, the funds or assets of the Partnership in any manner except for the exclusive benefit of the Partnership;
  - 10.5.11 Comingle the Partnership funds with those of any other person or entity;
  - 10.5.12 Receive any commission or fee for the placement of mortgage loans or trust deed loans on the Partnership Property or otherwise act as a finance broker on behalf of the Partnership;

- 10.6 No Limited Partner may participate in the management of the Partnership business, except as provided by ORS 69.280.
- 10.7 The General Partners may not resign or withdraw from the Partnership without first obtaining the prior written approval of FmHA.
- 10.8 The General Partners, subject to the prior written approval of the FmHA, may be removed at the written request of Limited Partners holding a majority of the outstanding Units; however, such removal shall not affect any of the General Partners' ownership rights in Net Cash Distributions from Operations and Residue from Capital Transactions (see Sections 8 and 15). A successor General Partner may be chosen by the Limited Partners and must be approved by the Limited Partners holding all of the outstanding Units, providing the successor General Partner purchases all the vested interests of the removed General Partners for a price agreed between such Partners, payable upon eventual termination and dissolution of the Partnership, said obligation being a prior charge on the residual interests in this Partnership of the successor General Partner. If the parties cannot agree on a price, they shall submit the issue of the price to be paid to binding arbitration pursuant to the rules of the American Arbitration Association and costs thereof shall be paid, as the arbitrators determine.
- 10.9 The General Partners hereby agree that any General Partner may act individually with full authority and power to act for the General Partners.
11. Indemnification: The Partnership, but not the Limited Partners, shall indemnify and save harmless the General Partners from personal loss or damage incurred by him by reason of any act performed in good faith for and on behalf of the Partnership and intended to be in furtherance of the interests of the Partnership. The General Partners will not be indemnified for any acts arising out of their negligence, not in good faith, and willful misconduct.
12. Liability of Partners: No Limited Partner shall be personally liable for the Mortgage or the debt secured thereby or for any other debts of the Partnership or any of the losses thereof beyond the amount originally contributed by him to the capital of the Partnership. The General Partners shall not be personally liable for the Mortgage or the debt secured thereby, but shall be personally liable for all other debts of the Partnership. None of the foregoing shall limit the right of any Partner to claim deductions for income tax purposes.
13. Fiscal Control:
- 13.1 The fiscal year and accounting period of the Partnership shall be the calendar year and at all times during the continuance of the

Partnership, the General Partners shall keep or cause to be kept full and true books of account in which shall be entered fully and accurately each transaction of the Partnership. The General Partners shall retain an accounting firm to perform the annual audit for the Partnership. Such accounting costs shall be an expense of the Partnership. The Partnership books shall be kept on a cash basis.

13.2 All of such books of account shall at all times be maintained at the principal office of the Partnership. Such books shall be open to inspection by any of the Partners or their accredited representatives at any reasonable time during normal business hours.

13.3 The General Partners agree to deliver to the Limited Partners annual audited financial statements and "information returns" on or before March 15 of each year, showing the profit or loss of the Partnership and the distribution or allocation thereof to each Partner for the preceding calendar year, which accounting shall be made on a quarterly basis. Likewise, unaudited financial statements shall be provided to each Partner within 45 days of the end of each quarter, except the year-end quarter. All audited statements shall be prepared by the Partnership's selected accountant and the preparation of both the quarterly and annual statements shall be an expense of the Partnership.

13.4 All elections under the Internal Revenue Code with respect to the reporting of allowable depreciation on the Federal Income Tax Returns of the Partnership may be made and determined by the General Partners. It is understood and agreed that all of the Partners now elect to report a form of accelerated depreciation.

13.5 A separate capital account shall be maintained for each Partner.

13.6 Funds shall be retained in the Partnership in such amounts as the General Partners deem reasonably necessary to provide for the foreseeable expenses of the Partnership and to prevent impairment of the Partnership capital.

13.7 All funds of the Partnership shall be deposited in the Partnership name in a depository bank selected by the General Partners. Withdrawals shall be made by check, draft, or other appropriate instrument signed by the General Partners or by such other persons as they may designate.

14. Dissolution of Partnership: The Partnership shall be dissolved only upon the occurrence of one or more of the following events:

14.1 The sale of all or substantially all of the Partnership assets.

14.2 Upon the bankruptcy, death, or incapacity of any General Partner, provided however, that in any of such events the surviving General Partners or the Limited Partners holding a majority of

the outstanding Units may elect to continue the business of the Partnership. In such event, the Partnership shall not be dissolved and the surviving General Partners may designate a new General Partner who must be approved by the Limited Partners holding all of the outstanding Units. In the event all General Partners are removed for any reason or because of their bankruptcy, death or incapacity, the Limited Partners holding all of the outstanding Units may elect to continue the business of the Partnership, providing the new General Partner is approved by a unanimous vote of Limited Partners, and further providing the new General Partner purchases all the vested interests of the prior General Partners in the Net Cash Distributions from Operations and Residue from Capital Transactions in this manner and as stated in Section 10.8;

- 14.3 Upon the decision of the General Partners, with the consent of Limited Partners holding a majority of the outstanding Units, to dissolve the Partnership;
- 14.4 Upon destruction of all or substantially all of the Partnership property;
- 14.5 Upon unanimous consent of all of the Limited Partners to dissolve the Partnership, which consent shall be executed in writing;
- 14.6 Upon expiration of the period of the Partnership;
- 14.7 Upon dissolution of this Partnership, while the Loan Agreement with FmHA is still in effect, no title or right to possession and control shall pass to any individuals unless or until they have agreed to become bound by the Loan Agreement in a manner satisfactory to FmHA.

15. Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains:

- 15.1 Upon any dissolution of the Partnership, the General Partners shall proceed to the orderly liquidation and termination of the Partnership. The proceeds of such liquidation shall be applied and distributed in the following order of priority subject to O.R.S Section 69.430:
  - 15.1.1 In the event of dissolution only, to the payment of debts and liabilities of the Partnership (not including the contributions of Limited Partners and any loans or advances that may have been made by the General Partners to the Partnership) and expenses of liquidation.
  - 15.1.2 To the setting up of any reserves which the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership;



- 15.1.3 To the payment of the outstanding balance on notes payable to Partners, if any, the Limited Partner's notes, if any, to be paid first;
  - 15.1.4 To the payment of the Partners' capital contributions in the ratio as stated in Section 1.5.1, except as reduced by any prior distributions made pursuant to Section 15.2;
  - 15.1.5 To the payment of \$1,800 per Unit owned for each year owned by the Limited Partners and in the ratio stated in 1.5.1 starting from date of subscription, less any Cash Distributions from Operations previously paid;
  - 15.1.6 The "Residue" then remaining shall be apportioned in the ratio stated in Section 1.5.1, Residue from Capital Transactions, to the General Partners (divided among them as they separately agree) and to the Limited Partners (pro rata in relationship to the number of Units held by each), this share being paid to the General Partners as a "bonus" incentive for effective care and maintenance of the Project to maximize the eventual sales price.
- 15.2 The same order of distribution shall apply to the proceeds received by the Partnership from any net excess insurance proceeds and any net proceeds of mortgage refinancing, partial condemnation, sales of easements, rights-of-way, or similar interest in the property of the Partnership, and sales of parts of the Partnership property or interest therein and other similar items which, in accordance with generally accepted accounting principles are attributable to capital including the return of operating or replacement reserves (working capital), to the extent available for distribution.
  - 15.3 A reasonable time shall be allowed for the orderly liquidation of assets of the Partnership and the discharge of liabilities to creditors so as to enable the General Partners to minimize the normal losses attendant upon a liquidation.
  - 15.4 The General Partners shall not be personally liable for the return of the capital contributions or advances of the Limited Partners or any portion thereof. Any such return shall be made solely from the Partnership assets.
16. Tax Treatment of Certain Gains: Although net proceeds to the Partnership upon the sale or other disposition of property of the Partnership shall be distributed as provided in Section 15 hereof, any taxable gain realized by the Partnership from such sale or distribution shall be allocated among the Partners as follows:
    - 16.1 Not only gain subject to taxation as ordinary income pursuant to Sections 1245 and 1250 of the Internal Revenue Code, providing

for depreciation recapture, but also any other taxable gain until the Partners' capital accounts are brought to zero, shall be distributed to the Limited Partners and the General Partners in the ratio necessary to raise their debit capital accounts to zero, (even though the cash proceeds are allocated differently as provided in Section 15). The debit capital accounts shall be determined after their distribution of cash on dissolution has been distributed.

16.2 All other taxable gain shall be allocated to the Limited Partners and the General Partners as stated in Section 1.5.2.

17. Transfer of Partnership Interests:

17.1 The General Partners or affiliates shall not assign, mortgage or sell their interest in the Partnership, or enter into any agreement as the result of which any person shall become interested with them in the Partnership, without the prior written approval of the FmHA and of the Limited Partners holding a majority of the outstanding Units. This provision shall not prohibit the General Partners from allocating their Partnership benefits among themselves or affiliates, from assigning up to 1/4th of their 30% interest in Residue from Capital Transactions to outside third parties in connection with borrowings of the Partnership, or to a 5% assignment of its residual interests to individuals licensed with Rockwood Securities Corporation.

17.2 Upon the death of a General Partner, the interest of the deceased General Partner in the Partnership shall pass as part of his estate as his Will or as the law shall provide, but without power to vote in matters concerning the Partnership. The successor or successors to that Partnership interest, by reason of such death, shall have all the rights of the decedent in the profits, losses, cash distributions, notes, capital and residue of the Partnership possessed by the decedent, subject to the provisions of Section 14.2 hereof. Upon the death of a Limited Partner, his lawful successor in interest may become a Limited Partner, subject to all of the terms and conditions of this Agreement, providing consent of the General Partners is first obtained, as herein provided.

The death of any Limited Partner shall not have the effect of terminating or dissolving this Partnership. Upon the death of a Limited Partner, his or her estate, devisee and/or heirs shall succeed to his interests and shall be bound by the terms and provisions of this Agreement; however, in the event that the interests of the deceased do not pass to a single trust or pass to more than one heir or devisee, or, upon termination of any such trust, are distributed to more than one beneficiary (the "Distributees") shall, within ninety (90) days after distribution by the Estate of the deceased Limited Partner or by the trustee under any trust established by the deceased Limited Partner, execute and deliver to the General Partners a written instrument

(including a power of attorney) appointing one person, firm or corporation as and to be the agent of and for said Distributees. Such agent shall be responsible for collecting, receiving and making all payments and contributions required hereunder, shall vote all interests of the Distributees, and shall perform all other obligations of such Distributees performable by reason of or arising from their interests. Such payments shall be deemed to have been validly made to such Distributees by paying the same to such duly designated agent. In the event that said Distributees for any reason fail to designate such agent in writing in the manner and within the time prescribed and continue to cure such default after ten (10) days' written notice from the General Partners to correct the same, the General Partners shall have the right, at their election, to withhold all sums that are payable with respect to the interests of the Distributees until such time as the Partnership is dissolved or such default is cured. So long as such default exists with respect to any interests, such interests may not be voted on any matter on which the vote or consent of Limited Partners or holders of interests is required or permitted herein. Whenever interests may not be voted on a transaction, the percentage required herein for approval shall only include those Limited Partners permitted to vote. Upon the death of a Limited Partner's spouse having a community property interest in the interests of the Limited Partner, the foregoing provisions of this Section 17.2, shall apply to all of the deceased spouse's community property interests in the surviving spouse's interests in the Partnership which do not pass to the surviving spouse by will or through operation of law, and such provisions shall be applied to such interests as though the Limited Partner had owned such interests and had died on the date of his spouse's death, leaving such interests to the actual recipients thereof.

17.3 Although a Limited Partner may assign his rights to Profits, Losses, and Net Cash Distributions, with the prior written consent of FmHA, an assignee cannot become a Limited Partner without the consent of a General Partner, the granting or denial of which is in the absolute discretion of the General Partners and the FmHA. The General Partners shall not give their consent to any such transfer unless and until they have received an opinion of counsel satisfactory to the General Partners that the proposed transfer will not terminate the Partnership for Federal income tax purposes nor cause a loss of any exemption from registration under the Securities and Exchange Act. A \$100 transfer fee in addition to actual costs incurred by the General Partners in connection with such a transfer shall be charged to the Limited Partner transferring his interests.

17.4 In the event that a transferee of a Partnership Interest becomes a Limited Partner, the items of gross income, deduction and credit pertaining to the transferred interest for the fiscal year of the transfer shall, unless otherwise agreed by the transferor and transferee, be allocated between the transferor and transferee on a pro rata quarterly basis.

- 17.5 Upon the transfer of an interest in the Partnership, the Partnership may elect, pursuant to Section 734 of the Internal Revenue Code of 1954, as amended, to adjust the basis of the Partnership property as allowed by Section 734(b) and 743(b) of said Code. The election shall be filed with the Partnership's Income Tax Return for the first taxable year in which the election applies.
- 17.6 Notwithstanding anything set forth above in this Section 17, no sale or exchange of all or a part of an interest in this Partnership shall occur if it would cause the termination of the Partnership for Federal income tax purposes, unless all the Partners agree in writing to such sale or exchange.
18. Admission of Additional Limited Partners: The General Partners may not admit to the Partnership additional Limited Partners contributing more capital than contemplated by this Agreement without the consent of Limited Partners holding a majority of the outstanding Units.
19. Representations and Warranties by Limited Partners: Each Limited Partner hereby represents and warrants to the Partnership and the General Partners as follows:
- 19.1 He is purchasing his Limited Partnership interest for his personal investment purposes only and not with a view toward distribution or sale of all or a portion of such interest.
- 19.2 He will not sell or offer for sale his interest in the Partnership without complying with the provisions of these Articles pertaining to transferability. He is aware that the Articles impose substantial restrictions on the transferability of his interest in the Partnership and recognizes that there is no ready public market for such interest and that it may not be possible to readily liquidate his investment in the Partnership.
- 19.3 He is financially capable of and intends to retain ownership of his Units during the entire term of the Partnership or for as long as he is physically capable of so doing.
- 19.4 Although it is expected that he will presently qualify for certain tax benefits offered by the Internal Revenue Code now in effect, as amended by the Tax Reform Act of 1969, because of the principal asset and business of the Partnership, he recognizes that there is no guarantee that the Internal Revenue Code or the regulations promulgated thereunder will not be amended in such a manner as to wholly or partially deprive him of any tax benefit he might presently receive under the law now in effect.
- 19.5 He has made a careful investigation of the materials (particularly the Offering Document and these Articles) submitted to him by the General Partners and has relied on his own investigation thereof and not on any oral representations of the

General Partners, or anyone acting on their behalf, in making his decision to invest. He has not been denied any information with respect to the Partnership or the Project which he believed to be material to his decision to invest.

19.6 Securities Law Compliance. The Limited Partners hereby acknowledge that the offering of Limited Partnership Units will not be registered under the Securities Act of 1933 and is being made in reliance upon the availability of an exemption from that Act. The exemption claimed is the "private offering" exemption pursuant to Section 4(2) of the Securities Act of 1933 and Rule 146 promulgated thereunder.

Each Limited Partner, therefore, represents and warrants that he has read and understands the "Investor Suitability Standards" section of the Private Placement Memorandum dated September 14, 1981 of HOPE - PONDEROSA OREG. LTD. Each Limited Partner also represents and warrants the following:

- a. That he can bear a total loss of his investment in the Partnership, as well as the adverse tax consequences of recapture of tax deductions
- b. That he anticipates that in 1981 through 1984 at least some of his income will be subject to Federal income tax at the rate of forty percent 40% (46% for corporations)
- c. That he has a net worth (exclusive of home, furnishings and automobiles) of at least \$100,000 or a net worth of at least \$250,000 exclusive of home, automobile and furnishings in which case he may disregard the requirement of subpart (b) above
- d. That he and his offerree representative (if any) have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the investment in the Partnership
- e. That his participation in programs that offer tax incentives is reasonable in relation to his income and net worth
- f. That he is acquiring the Partnership interest for long-term investment and not with a view toward resale, fractionalization, division or distribution thereof
- g. That he has received and read a copy of the Private Placement Memorandum, has relied solely and completely on the Memorandum in making his decision to purchase Limited Partnership Units in the Partnership and has not relied on any representations not contained in the Private Placement Memorandum in making his investment decision, and

- h. That he has read, understands, completed and executed the Partnership Subscription Agreement and the Partnership Offerree Representative's Questionnaire (if applicable).

The General Partners may reject the application of any prospective investor who fails to comply with any of the provisions of this Article or for any other reason.

20. Amendments:

20.1 Amendments to the Articles may be proposed by the General Partners or by Limited Partners holding 10% of the outstanding Units. Following such proposal, the General Partners shall submit to the Limited Partners a verbatim statement of any such proposed amendment and an opinion of counsel as to the legality of such proposed amendment. The General Partners shall include in any such submission their recommendation as to the proposed amendment. Each such submission shall bear a notice to the effect that the proposed amendment shall become effective upon the receipt of the affirmative vote of Limited Partners holding a majority of the outstanding Units. The General Partners shall seek the written vote of the Limited Partners on the proposed amendment by return mail following the submission, or shall call a meeting to discuss the proposed amendment. Such amendment shall be adopted or rejected at the meeting by the same affirmative vote required above. Limited Partners may vote in person or by proxy at any such meeting. Notwithstanding the above, no amendment shall:

- (1) Modify the liability of either the General Partners or the Limited Partners
- (2) Terminate the Partnership except as provided in this Agreement
- (3) In any way modify the obligations of the Partnership under the Mortgage.

20.2 Notwithstanding the above, the General Partners may amend this agreement to add or delete qualified Limited Partners by exercising their Power of Attorney for each Limited Partner as granted in Section 21.

21. Power of Attorney:

21.1 Each Limited Partner, by becoming a Limited Partner, constitutes and appoints the General Partners with full power of substitution his true and lawful attorneys for him and in his name, place and stead and for his use and benefits of said Limited Partner, to execute, sign, acknowledge, file, swear to, verify, deliver, record and publish:

- 21.1.1 The original Articles of Limited Partnership and all amendments thereto required by law, FARA, any other regulatory agency with lawful jurisdiction, or these Articles;
- 21.1.2 All instruments which effect a change, modification or amendment of this agreement by adding or substituting Limited Partners or dissolving or continuing the Partnership itself.
- 21.2 To represent each and every Limited Partner before any office of the Internal Revenue Service with respect to any Internal Revenue Tax matter that in any way related to this Partnership or any interest therein. Such General Partner shall have authority to receive confidential information and full power on behalf of each and every Limited Partner to execute agreements extending the statutory period for assessment or collection of taxes and to delegate authority or to substitute another representative.
- 21.3 The power hereby conferred shall continue from the date of the subscription of the Limited Partner until said Limited Partner shall cease to be a Limited Partner, or notifies the General Partners in writing as set forth in Section 22.2 that this power of attorney is revoked. If revoked, the Limited Partners shall sign legally required amended articles immediately upon presentment by the General Partners.
- 21.4 The Certificate of Limited Partnership and all amendments thereto;
- 21.5 Any other instrument which may be required to be filed by the Partnership under the laws of any state or any governmental agency or which the General Partners deem it advisable to file; and
- 21.6 Any documents which may be required to effect the continuation of the Partnership, the admission or substitution of a Limited Partner, or the dissolution and termination of the Partnership, provided such continuation, admission, substitution or dissolution and termination are in accordance with the terms of the Articles.
- 21.7 The foregoing grant of authority:
- a. Is a Special Power of Attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of the undersigned;
  - b. May be exercised by the General Partners for each Limited Partner by the single signature of any General Partner or by listing all of the Limited Partners executing any instrument with the single signature of a General Partner as attorney-in-fact for all of them; and

- c. Shall survive the delivery of an assignment by a Limited Partner of the whole or any portion of his interest.

This Special Power of Attorney does not supersede any part of the Articles, nor is it to be used to deprive the undersigned Limited Partner of any of his rights. It is intended only to provide a simplified system for execution of documents.

22. Miscellaneous:

- 22.1 This Agreement shall be binding upon and inure to the benefit of all of the parties and their estates, heirs, legatees, successors and assigns.
- 22.2 All notices provided for by the Articles shall be directed to the parties at the addresses herein set forth and to the Partnership at its principal office by certified mail, or to such other address as shall be notified to the Partnership in writing.
- 22.3 Any dispute under or concerning the Articles shall, at the option of any disputant, be submitted to arbitration in accordance with the rules of the American Arbitration Association. In any such dispute, whether or not submitted to arbitration or a court of proper jurisdiction, the prevailing party shall recover from the other party his reasonable attorney's fees and related expenses as approved by the arbitrator or court.
- 22.4 This Agreement and the right of the parties hereunder shall be interpreted in accordance with the laws of the State of Oregon.
- 22.5 This Agreement may be executed in several counterparts and all, thus executed, shall constitute one agreement binding on all the parties, whether or not all the parties are signatory to the same counterpart.
- 22.6 The headings of the Sections of these Articles are inserted for convenience only and shall not be deemed to be a part of this Agreement.
- 22.7 In the event that any provision of these Articles shall be held to be invalid or unenforceable, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement or of such provisions under different circumstances.
- 22.8 Each of the parties shall execute, acknowledge and deliver instruments necessary to carry out the purposes of the Articles, and to sign any amendment to the Articles whenever the signing of such certificate or amendment is requested of them by a General Partner, and they agree to do such other acts as may be required to comply with the law for the valid formation and existence of a Limited Partnership. Upon the failure or refusal of any Partner to so sign or do such other act, the General Partners shall be



deemed the duly constituted agent of the Partner failing or refusing to sign or act, to sign such amendment or to do such other act on his behalf, and the acts of such agent shall be deemed ratified, approved, and confirmed by the Partner for whom he is acting.

- 22.9 This Agreement represents the entire agreement by and between the parties hereto and no other agreements or understandings, written or oral, exist to modify any provision contained herein.
- 22.10 The Partners agree that the Partnership properties are not and will not be suitable for partition. Accordingly, each of the Partners hereby irrevocably waives any and all rights that he may have to maintain any action for partition of any of the Partnership property.
- 22.11 In the event a Limited Partner is a trust (with or without disclosed beneficiaries), partnership, limited partnership, joint venture, corporation or any entity other than a natural person, the Partnership and the General Partners shall (1) not be required to determine the authority of the person signing this Agreement or any amendment hereto, to make any commitment or undertaking on behalf of such entity, not to determine any fact or circumstance bearing upon the existence of this authority; (2) not be required to see to the application or distribution of revenues or proceeds paid or credited to the person signing the Agreement or any amendment hereto on behalf of such entity; (3) be entitled to rely upon the authority of the person signing this Agreement or any amendment hereto with respect to the voting of the interests of such entity and with respect to the giving of consent on behalf of such entity in connection with any matter for which consent is permissible or required hereunder; and (4) be entitled to rely upon the authority of any General Partner, joint venturer, co- or successor trustee, or president, vice president or other authorized officer (as the case may be) of any such entity, the same as though such person were the person originally executing this Agreement or any amendment hereto on behalf of such entity.
- 22.12 No person dealing with the General Partners shall be required to determine their authority to make any commitment or undertaking on behalf of the Partnership, nor to determine any fact or circumstance bearing upon the existence of their authority. In addition, no purchaser of any asset owned by the Partnership shall be required to determine the sole and exclusive authority of the General Partners to sign and deliver on behalf of the Partnership any such instrument of transfer, or to see the application or distribution of revenues or proceeds paid or credited in connection therewith, unless such purchasers shall have received written notice from the Partnership affecting the same.

DATED AND EXECUTED: January 7, 1982

We, the undersigned, declare under the penalties of perjury that we have examined this Amended and Restated Certificate of Articles of Limited Partnership and to the best of our knowledge and belief, it is true, correct and complete.

GENERAL PARTNERS:

ADDRESS:

PERCENTAGE  
OF GENERAL  
PARTNERSHIP  
INTERESTS HELD:

  
J. G. Miller, as an individual

161 High Street S.E.  
P.O. Box 230  
Salem, Oregon 97308

100%, divided among  
the General Part-  
ners as they agree  
by separate  
agreement.

  
Mark E. Miller, as an individual

161 High Street, S.E.  
P.O. Box 230  
Salem, Oregon 97308

I, Ardis Whittaker, being first duly sworn, am the withdrawing Limited Partner as described in the above Amended and Restated Articles of Limited Partnership. The foregoing is true to the best of my knowledge and belief.

  
Ardis Whittaker  
Withdrawing Limited Partner

STATE OF OREGON )  
                          ) ss.  
County of Marion )

January 7, 1982

Personally appeared the above named, Ardis Whittaker, and acknowledged the foregoing instrument to be her voluntary act and deed.

Before me:

  
Marilyn J. Crapp  
Notary Public for Oregon  
My commission expires: 6-13 83

<u>LIMITED PARTNERS:</u>	<u>ADDRESS:</u>	<u>NO. OF UNITS HELD/ PERCENTAGE OF LIMITED PARTNER- SHIP INTERESTS:</u>
Mr. and Mrs. Richard D. Baker	7707 McDonald Circle Corvallis, Oregon 97330	.5 / 2.38%
Lawrence Wendell Baker Springfield, Oregon 97477	275 Allen Avenue	1 / 4.76%
Dr. and Mrs. Roy M. Clark	7635 S.W. Miner Way Portland, Oregon 97225	1 / 4.76%
Lawrence T. Eschelman	3519 Dogwood Drive South Salem, Oregon 97302	1 / 4.76%
Avery G. Foote	3820 S.W. Mt. Adams Drive Portland, Oregon 97201	2 / 9.52%
Dr. and Mrs. Donald J. Fromherz	621 Lamplighter Cr. S.E. Salem, Oregon 97302	1 / 4.76%
Mr. and Mrs. F. N. Halm	433 N.W. 33rd Street Corvallis, Oregon 97330	1 / 4.76%
Robert B. Ironside	6019 S.W. Woods Court Portland, Oregon 97221	1 / 4.76%
Mr. and Mrs. Gene M. Lear	3735 N.W. VanBuren Ave. Corvallis, Oregon 97330	1 / 4.76%
Derek S. Lipman, M.D.	252 Stampher Road Lake Oswego, Oregon 97034	1 / 4.76%
Dr. and Mrs. Peter McGovern	3040 Stonebridge Way Lake Oswego, Oregon 97034	1 / 4.76%
Dr. and Mrs. Joseph Meyer	480 W. River Street P.O. Box 216 Cave Junction, Oregon 97523	2 / 9.52%
Gerald C. Olson, D.M.D.	302 Spyglass Drive Eugene, Oregon 97401	1 / 4.76%
Mr. and Mrs. Ray A. Schoppert	38720 S.E. Serban Road Sandy, Oregon 97055	1 / 4.76%
Mr. and Mrs. John E. Vaughn	270 Kevin Court S.E. Salem, Oregon 97306	.5 / 2.38%
Mr. and Mrs. William Voelker	1155 Harritt Drive N.W. Salem, Oregon 97304	1 / 4.76%

Mr. and Mrs. G. J. Weinert 14533 N.E. 1st 1 / 4.76%

Bellevue, Washington 98007

Dr. and Mrs. John E. Zook 246 N.E. 130th Place 2 / 9.52%

Portland, Oregon 97230

Additional Initial Limited Partner:

Karen K. Gates 3467 Champlain Court N.W. 1 / 4.76%

Salem, Oregon 97304

Legal Description

HOPE - PONDEROSA OREG. LTD.

Exhibit A

Hope Arms

A tract of land in the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, Township 3 North, Range 1 West, Boise-Meridian, Ada County, Idaho, more particularly described as follows:

Commencing at a steel pin with aluminum cap at the Southeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of said Section 13, which point bears South 1327.34 feet from the Northeast corner of said Section 13, thence North along the East line of said Section 13, 358.30 feet to the real point of beginning, thence continue North 35.00 feet to a point, thence West 180.00 feet to a steel pin, thence North 269.29 feet to a steel pin on the North boundary line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South 89 degrees 39' 19" West along said North line 483.21 feet to a steel pin at the Northwest corner of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South 0 degrees 04' 27" East along the West boundary line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, 627.47 feet to a steel pin, thence North 89 degrees 41' 21" East 274.40 feet to a steel pin, thence North 244.25 feet to a steel pin, thence South 89 degrees 41' East 208.00 feet to a steel pin, thence North 81.50 feet to a steel pin, thence East 180.00 feet to the real point of beginning

Also

A tract of land in the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, Township 3 North, Range 1 West, Boise-Meridian, Ada County, Idaho, more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, which point bears, South 1,327.34 feet from the Northeast corner of said Section 13, thence North along the East line of said Section 13, 663.67 feet to the Northeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South 89 degrees 39' 19" West along the Northerly line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter 180.00 feet to a steel pin, thence South 269.29 feet to a steel pin, thence East 180.00 feet to a point on the East line of Section 13, thence South along the East line of Section 13, 35.00 feet to a point, thence West 180.00 feet to a steel pin, thence South 81.50 feet to a steel pin, thence South 89 degrees 41' East 155.00 feet to a point, thence South Parallel to the East line of Section 13, 240.00 feet to a point, thence North 89 degrees 41' West 363.00 feet to a point, thence

South 4.25 feet to a point, thence South 89 degrees 41' 21" West 274.40 feet to a point on the West line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South 0 degrees 04' 27" East along the said West line

35.80 feet to a steel pin, at the Southwest corner of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence

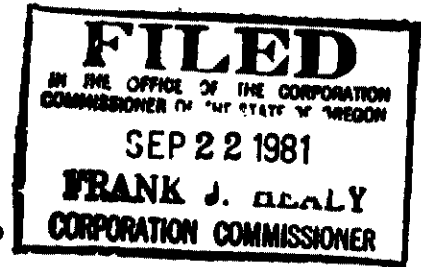
North 89 degrees 41' 21" East along the South line of said Section 13, 662.35 feet to the real point of beginning.

Except ditch and road rights of way.

Ponderosa Arms

Commencing at the Northwest corner of the Southeast 1/4 Northeast 1/4 of Section 9, Township 18 North, Range 3 East, Boise Meridian, thence East 690 feet; thence South 837 5/8 feet to the REAL POINT OF BEGINNING; Thence South 245 1/4 feet; thence East 100 feet; thence South 50 feet; thence East 490 1/2 feet; thence North 295 1/4 feet; thence West 590 1/2 feet to the REAL POINT OF BEGINNING.

TABLE OF CONTENTS  
 AMENDED AND RESTATED  
 ARTICLES OF LIMITED PARTNERSHIP  
 HOPE - PONDEROSA OREG. LTD.



<u>Item No.</u>	<u>Captions</u>	<u>Page No.</u>
1	Data	B-2
2	Formation	B-4
3	Registered and Principal Office and Agent for Service of Process	B-4
4	Purpose	B-5
5	Term	B-6
6	Capital Contributions	B-6
7	Compensation for Services	B-7
8	Profits, Losses and Distribution of Available Cash from Operations	B-8
9	Advances from General Partners	B-9
10	Powers, Duties and Responsibilities of the General Partners	B-10
11	Indemnification	B-14
12	Liability of Partners	B-14
13	Fiscal Control	B-14
14	Dissolution of Partnership	B-15
15	Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains	B-16
16	Tax Treatment of Certain Gains	B-17
17	Transfer of Partnership Interests	B-17
18	Admission of Additional Limited Partners	B-19
19	Representations and Warranties by Limited Partners	B-19
20	Amendments	B-21
21	Power of Attorney	B-21
22	Miscellaneous	B-22

AMENDED AND RESTATED  
CERTIFICATE OF  
ARTICLES OF LIMITED PARTNERSHIP  
OF  
HOPE - PONDEROSA OREG. LTD.

GENERAL PARTNERS: J. M. MILLER, an individual  
and MARK E. MILLER, an individual,  
161 High Street S.E., Salem, Oregon 97308

MAKES THIS LIMITED PARTNERSHIP AGREEMENT WITH THE

LIMITED PARTNERS: Those individuals executing this Agreement as Limited Partners (hereinafter called individually a "Limited Partner" and collectively the "Limited Partners").

AGREEMENTS

In consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

1. Data: The following dates, percentages, names and references are hereby incorporated in this Agreement whenever referred to and as necessary to provide a fair meaning for any promise or covenant:

1.1 Partnership Name: HOPE - PONDEROSA OREG. LTD.

1.2 Project Addresses:  
Hope Arms - 96 Hope Arms Lane, Meridian, Idaho  
Ponderosa Arms - 1305 Ponderosa Street, McCall, Idaho

1.3 Number of Apartment Units: Hope Arms - 80 Units  
Ponderosa Arms - 17 Units

1.4 Farmers Home Administration (FmHA) Mortgage in the aggregate sum of \$1,643,403.13 (the "Loan"). Estimated Balance as of September 1, 1981, as follows:

Hope Arms	\$1,381,377.82
Ponderosa Arms	262,025.31
Total Mortgage	<u>\$1,643,403.13</u>

Recourse Mortgage Liability of the Limited Partners: None



1.5	General Partners' Total Cash, Capital Contributions:		\$ 6,313
	Limited Partners' Total Cash Capital Contributions:	\$600,000	
	Additional Initial Limited Partner's Total Cash Capital Contributions:	27,497	
	Total Limited Partners' Cash Capital Contributions	<u>\$627,497</u>	

Summary of General and Limited Partners' Interests:

		General Ptnrs. %:	Limited Ptnrs. %:
1.5.1	Net Operating Profits and Losses:	5%	95%
	Annual Net Cash Distributions From Operations until \$1,800 has been distributed to the Limited Partners for each Unit annually:	5%	95%
	And surplus Annual Net Cash Distributions from operations annually:	30%	70%
	Residue from Capital Transactions until each Limited Partner has recovered his Total Cash Contribution as stated in Section 1.5 in the aggregate:	1%	99%
	Thereafter, until each Limited Partner has recovered \$1,800 per Unit for each full year owned (prorated from date of subscription):	5%	95%
	And any Residue remaining shall be distributed:	30%	70%
1.5.2	After effect has been given to the distribution of cash on dissolution, all taxable gain on sale shall be allocated ratably to all Partners as necessary to raise their debit capital accounts to zero. The remaining taxable gain shall be distributed:	30%	70%
1.5.3	Net Cash Distributions from Operations if realized during any year, but not paid to either the Limited or General Partners, shall be cumulative, noncompounded, and be paid first from funds available for that purpose, prior to any payment of capital contributions on dissolution, but following payment of all debts of the Partnership. Whenever paid, it shall be paid to the Partners in the ratio stated in 1.5.1, (see Section 8.1).		

- 1.6 Number of Units of Participating Interest: 21  
Cash Contribution Per Unit: \$30,000, minimum purchase is 1 Unit, except as permitted in Section 6.3  
Approximate Percentage of Interest in the Limited Partnership Interests per Unit: 4.76%
- 1.7 Compensation to General Partners or affiliates. The General Partners or affiliates shall be paid:
- 1.7.1 A General Partners' Salary for services rendered during 1981 of 25% of gross income, with a maximum of \$6,962; 1982 of 7% of gross income, with a maximum of \$6,386; 1983 of 5% of gross income, with a maximum of \$4,990; 1984 of 4% of gross income, with a maximum of \$3,669; 1985 of 3% of gross income, with a maximum of \$3,074; and 1986 of 1% of gross income, with a maximum of \$1,546.
- 1.7.2 A Partnership Management Fee payable in 1981 in the amount of 22% of gross income, with a maximum of \$5,988; 1982 of 6% of gross income, with a maximum of \$5,510; 1983 of 4% of gross income, with a maximum of \$4,551; 1984 of 3% of gross income, with a maximum of \$3,833; 1985 of 2% of gross income, with a maximum of \$2,875; and 1986 of 1% of gross income, with a maximum of \$1,198.
- 1.7.3 A Property Management Fee as approved by FmHA from time to time based on the Gross Potential fair market rents which sum is \$20,804 as of September 1, 1981 and as provided by a voluntary contract between Rockwood Development Corporation and the Partnership (subject to the limitations of Section 7.3).
- 1.7.4 An Incentive Management Fee of 80% of the accrued but unpaid "limited dividend" distributions which accrued prior to Partnership acquisition of the Project to the extent the accrual of these distributions is allowed by FmHA and is cumulative (subject to the limitations of Section 7.4).
- 1.7.5 A Limited No Negative Cash Flow Guarantee Fee payable in 1981 in the amount of 16% of gross income, with a maximum of \$4,279; 1982 of 5% of gross income, with a maximum of \$3,934; 1983 of 4% of gross income, with a maximum of \$3,251; 1984 of 3% of gross income, with a maximum of \$2,738; 1985 of 2% of gross income, with a maximum of \$2,053; and 1986 of 1% of gross income, with a maximum of \$856.
2. Formation: The parties hereto do hereby form a Limited Partnership pursuant to the Uniform Limited Partnership Act of Oregon, named as stated in Section 1.1 above (hereinafter called "Partnership").
3. Registered and Principal Office and Agent for Service of Process: The address of the initial registered office of the Limited Partnership and its principal place of

business shall be 161 High Street S.E., P.O. Box 230, Salem, Oregon 97308, (503) 364-5500, except as the General Partners shall otherwise designate. The name of the initial registered agent at such address is J. M. Miller. The General Partners designate said initial registered agent, as well as any successor registered agent, as their personal registered agent and attorney upon whom any process, notice or demand which arises out of the conduct of the Partnership affairs and which is required or permitted by law to be served upon a General Partner, may be served.

4. Purpose: The purposes and powers of the Partnership shall be as follows:
- 4.1 To provide adequate housing for eligible persons in furtherance of the purposes of Section 515 of the Housing Act of 1949.
  - 4.2 To acquire for such purposes that real property located where stated in Section 1.2, and as more fully described on Exhibit "A", attached hereto and by this reference made a part hereof.
  - 4.3 To own said projects (Project) consisting of the number of Units stated in Section 1.3 together with mortgages provided by the Farmers Home Administration (FmHA) as stated in Section 1.4 (the "Mortgage").
  - 4.4 To mortgage, sell, transfer and exchange or otherwise convey and encumber the Project in furtherance of the business of the Partnership.
  - 4.5 To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to the accomplishment of the development and operation of the Project, including but not by way of limitation, any contract of restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation, including but not limited to the Rural Rental Housing Loan to Individual Operating on Limited Profit Basis Loan Agreement between the Partnership and FmHA. Upon execution, the Loan Agreement and any forms, agreements, contracts, or affirmations as required by FmHA before a transfer of the Project to this Partnership shall be binding upon the Partnership and all of the Partners, whether they become Partners before or after the execution of the Loan Agreement, and said Loan Agreement shall remain binding upon the Partnership and the Partners, so long as a mortgage on the property owned by the Partnership is outstanding, unpaid, and held by FmHA. Any incoming Partner shall, as a condition of receiving an interest in the Partnership property, agree to be bound by the Note, Mortgage and Loan Agreement and other documents required in connection with the Loan to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to collect the rents therefrom shall pass to any person who is not bound by the Loan Agreement in a manner satisfactory to FmHA. Anything elsewhere to the contrary notwithstanding, in the event of any inconsistency between the terms of this Agreement and the terms of the Loan Agreement, the Loan Agreement shall be controlling.
  - 4.6 To execute a Note and Mortgage in order to obtain the loan stated in Section 1.4 (the "Loan") and other documents required by FmHA in connection with such Loan.

- 4.7 To rent the Project from time to time, in accordance with applicable Federal, State, and local regulations, collecting the income therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds, except as provided herein, to the General Partners and Limited Partners, subject to any requirements which may be imposed by the FmHA Loan Agreement governing the Project.
5. Terms: The Partnership shall commence not later than the date the Articles of Limited Partnership are filed with the Oregon Corporation Commissioner and shall continue for fifty-two (52) years unless earlier dissolved by any one of the events set out in Section 14. The death of a Limited Partner shall not dissolve the Partnership or terminate the Partnership business.
6. Capital Contributions: The following capital contributions shall be made:
- 6.1 The General Partners shall make a capital contribution as stated in 1.5 to the Partnership and shall provide services as stated herein for agreed fees and salary. The aggregate capital contributions of the General Partners shall at all times equal or exceed one percent (1%) of the aggregate capital contributions of the Limited Partners.
- 6.2 The persons who execute this Agreement as Limited Partners shall contribute to the capital of the Partnership an aggregate cash amount as stated in Section 1.5 for the number of Units of Limited Partnership Interests as stated in Section 1.6, each Unit representing the Limited Partners' interest in the operating net profits, losses and net cash distributions of the Partnership, as defined in Section 8, and on dissolution of the Partnership Property as defined in Section 14, subject to taxable allocations as defined in Section 16.
- 6.3 These Units of Limited Partnership Interests and the rights represented thereby are hereafter called "Units". The percentage of interest in the Limited Partnership Interests in the Partnership, as herein defined, of each Limited Partner shall be the percentage of the Units owned by such Limited Partner as compared to the total outstanding Units, such percentage being as stated in Section 1.6. The Limited Partners shall make their cash contributions to the Partnership as stated on their individually executed Subscription and Counterpart Agreements. Fractional Units may be sold by the General Partners and may be owned as such by Limited Partners. One Unit of Limited Partnership Interest shall also be subscribed by an additional initial Limited Partner. Such Unit shall be subscribed for an amount of \$27,497 and no Underwriting Commission shall be paid or received in connection with such subscription.
- 6.4 The Partnership shall be responsible for providing equity requirements and working capital as required, but the General Partners shall not be so responsible, except to the extent of their Limited No Negative Cash Flow Guarantee, although they will exercise their best efforts to provide any shortage not funded by capital subscriptions. The Limited Partners shall have no liability to provide funds in addition to their original subscription to construct or otherwise operate the Project.

7. Compensation for Services: The following compensation shall be payable for services rendered to the Partnership, and fees stated in Sections 7.1, 7.2, and 7.2.1 shall be paid only from those funds contributed to the Partnership by the Limited Partners and will not be paid from mortgage proceeds or operating income.

7.1 The General Partners, as a payment for services rendered, including but not limited to, the following: (1) review of management changes requested by FmHA; (2) review and coordination of FmHA Regulations, as they relate to project ownership and proposed FmHA Regulations; (3) preparation and submission of all reports required by Oregon Corporation Commissioner and Idaho Department of Regulatory Agencies and NASD and S.E.C., if applicable; (4) selection and on-going performance review of property management firm, including all procedures, and compliance with FmHA regulations, and all other governmental regulations having jurisdiction over the partnership and/or its projects; (5) developing adequate Partnership records; (6) maintaining an office for the Partnership; and (7) maximizing income to the Partnership during the period stated in Section 1.7.1, shall receive a salary from the Partnership as stated in Section 1.7.1, from the capital contributions made or agreed to be made by the Limited Partners. Such fee is not payable for Partnership organization costs and shall be treated as a necessary and ordinary business expense.

7.2 Rockwood Development Corporation, an affiliate of the General Partners, shall receive that Partnership Management Fee stated in Section 1.7.2, which shall be treated as a necessary and ordinary business expense, and shall consist of compensation for, including but not limited to, the following: (1) Coordination of transfers of Limited Partner Units, (2) review of requests for transfer and maintaining of Partnership records and certificates; (3) correspondence with Limited Partners; (4) preparation and submission of profit and loss and cash flow projections annually to Limited Partners; (5) on-going review and analysis of the opportunities for the disposition and sale of the properties, as well as the refinancing opportunities under FmHA and other refinancing opportunities; (6) review and approval with sufficient detail on all capital expenditures of \$5,000 or more, as required by the management agreement; (7) coordination of lawsuits involving the owner, including condemnation proceedings and all claims and settlements relating to claims under insurance coverages; (8) annual interviews and selection of auditing firm for the Partnership; and (9) review of completed audit and tax return with Limited Partners and their legal and accounting counsel.

7.2.1 Rockwood Development Corporation, an affiliate of the General Partners, shall agree to loan to the Partnership all sums necessary to meet its operating obligations after the Partnership has expended its budgeted working capital of \$83,815. Such loans will bear interest at the rate of 1% greater than the borrowing rate of Rockwood Development Corporation but shall not exceed 3% more than the prime rate of the First Interstate Bank of Oregon and be repaid as provided in Section 15.1.3. In exchange for agreeing to provide the Partnership funds as outlined in this Section 7.2.1, Rockwood Development Corporation shall receive that Limited No Negative Cash Flow Guarantee Fee as stated in 1.7.5.

- 7.3 Rockwood Development Corporation, an affiliate of the General Partners, shall be paid a Property Management Fee for the Project in the amount stated in Section 1.7.3 unless a different fee is approved by FmHA from time to time. Such fee shall be paid monthly. In the event the Partnership retains third parties to perform a portion or all of the services set forth below, the Partnership will be solely responsible for any fees charged by such persons. Property Management services will include, but not be limited to: (1) review of the maintenance, repair, remodeling and refurbishing of all Partnership Properties; (2) review of rental schedules and recommendations with respect to changes thereto; (3) preparation and review of historical and projected performance and variation analysis; (4) preparation and review of leases, management agreements and maintenance agreements; and (5) review of replacement reserves and working capital and recommendations with respect to changes thereto.
- 7.4 As an incentive to maximize Partnership earnings, Rockwood Development Corporation shall also be entitled to receive an Incentive Management Fee as stated in 1.7.4. This fee shall be paid from accrued but unpaid "limited dividend" distributions, to the extent allowed by FmHA to be cumulative, which were accrued prior to the Partnership's purchase of the Project. Rockwood Development Corporation shall be entitled to receive 80% of these accumulated limited dividends as an Incentive Management Fee. All cash available for distribution shall first be applied to bring limited dividends accrued from the date of the Partnership's acquisition of the Project (to the extent allowed by FmHA) current. Such cash will be distributed as Net Cash Available for Distribution. Remaining cash shall be allocated 80% to Rockwood Development Corporation and 20% to the Partnership until such cash equals the unpaid limited dividends accrued prior to the Partnership's acquisition of the Project. Remaining cash thereafter shall be allocated to the Partnership.
- 7.5 If the General Partners, or one of them, provide services for the Partnership as provided in Sections 10.1 and 10.2, such General Partners may receive allowable fees or income for such services.
- 7.6 Should a General Partner be expelled from the Partnership, such General Partner shall be entitled to interest on any loans made subject to the provisions of this Partnership Agreement.
- 7.7 Should a General Partner be expelled from the Partnership according to provisions of Section 10.8 of this Partnership Agreement, or should the Agent's Property Management Agreement be terminated if one of the General Partners or affiliates is the Managing Agent, any portion of the Property Management Fee or any other fee or commission payable according to the provisions of this Section 7 which is then accrued and due, but not yet paid, shall be paid by the Partnership to the General Partners or Agent in cash within 30 days of the date of expulsion as stated in the written notice of expulsion.
8. Profits, Losses and Distribution of Available Cash from Operations:
- 8.1 Net Operating Profits and Losses and Net Cash Distributions from Operations (after payment of all fees) shall be distributed to the Limited

Partners (pro rata in the relationship of the number of Units held by each) and the General Partners (divided among them as they agree) as stated in Section 1.5.1. "Net Operating Profits and Losses" are defined as those reported by the Partnership's accountant on the Partnership's annual Partnership income tax information return pursuant to generally accepted accounting principles. "Net Cash Distributions from Operations" is the net operating profit or loss sum stated above, plus non-cash charges (depreciation and amortization), less cash requirements paid or set aside to pay the Mortgage payable, expenses (including management fees), reserves and other liabilities pursuant to generally accepted accounting principles and as allowed by FmHA.

- 8.2 The Net Operating Profits and Losses and Net Cash Distributions from Operations apportioned to the Limited Partners shall be reapportioned among them, pro rata, in relationship to the number of Units owned by each as compared to the total Units outstanding, even though the percentage of interest per Unit, as stated in 1.6, is exceeded.
  - 8.3 From time to time as allowed by FmHA, but at least annually, the General Partners shall distribute the available Net Cash Available for Distribution to the General and Limited Partners entitled thereto, part or all of which may be a return on or of the Partners' initial investment.
  - 8.4 No Partner shall receive any interest on his contribution to the capital of the Partnership or have any priority of any kind over any other Limited Partner.
  - 8.5 The Partnership is responsible for the payment of all fees in connection with this Partnership as expenses of the Partnership. Reimbursement (other than for organization and offering expenses or other fees described herein) to the General Partners or their Affiliates shall not be made, except for reimbursement of the actual cost to the General Partners or their Affiliates of goods and materials used for or by the Partnership or for services otherwise provided for herein.
  - 8.6 Each Partner by his signature hereto specifically recognizes that the Loan Agreement presently prohibits distributions of cash to the Partnership in excess of six or eight percent (6% or 8%) of the Project equity (as determined by FmHA) depending on the particular project, defined as the "Borrower's Initial Investment", in the Loan Agreement. All cash distributions will be subject to the provisions and amendments or modifications of such rules and regulations when promulgated by FmHA.
  - 8.7. No Partner shall receive any interest on his contribution to the capital of the Partnership (except interest earned by the Escrow Agent during the subscription period) or have any priority of any kind over any other Limited Partner.
9. Advances from General Partners: The General Partners may advance funds to pay costs incurred in connection with the acquisition of the buildings to the extent cash is not available from the activities of the Partnership, including rentals, capital contributions, and proceeds resulting from an increase in the Loan. The General Partners may make advances or loans to the Partnership to pay its operating costs.

For all such advances the General Partners shall receive a promissory note or notes, payable from the first funds available from operating revenue, said notes to bear interest at a rate 1% per annum more than that payable by the General Partners to their lending bank and such notes shall be payable prior to the payment of Cash Distributions to the Partners. Loans by the General Partners to the Partnership shall require the approval of the holders of a majority of the Limited Partnership Units.

**10. Powers, Duties and Responsibilities of the General Partners**

10.1 The General Partners shall be responsible for the supervision, operation and maintenance of the Partnership business, property, and its accounting records.

10.2 Although, as owners, they have no obligation to manage the Project, the General Partners may do so or they may appoint a managing agent and the Limited Partners hereby consent to the employment of such managing agent as the General Partners may engage, notwithstanding the fact that any party hereto may have an interest therein, provided that the amount paid to such managing agent shall not exceed the rates authorized by FmHA. The management fee shall be an expense of the Partnership. It shall be permissible to employ one or more of the General Partners as managers or to engage an agency in which one or more of the General Partners has an interest.

10.3 Nothing contained herein, however, shall prevent any of the Partners, General or Limited, from continued engagement in real estate activities other than this Partnership, and no parties herein shall have any interest in such other activities by virtue of this Partnership.

10.4 Without limitation of any power that may be conferred upon them by law, the General Partners may engage in activities as hereinafter outlined.

10.4.1 The General Partners shall have exclusive authority to manage the operations and affairs of the Partnership and to make all decisions regarding the business of the Partnership. Pursuant to the foregoing, it is understood and agreed that the General Partners shall have all of the rights and powers of a General Partner contemplated by the Oregon Uniform Limited Partnership Act and as otherwise provided by law, and any action taken by the General Partners shall constitute the act of and serve to bind the Partnership.

10.4.2 The General Partners are hereby granted the right, power and authority to do on behalf of the Partnership all things which, in their sole judgment, are necessary, proper or desirable to carry out their duties and responsibilities, including but not limited to the right, power and authority to compromise, submit to arbitration, sue or defend all claims in favor of or against the Partnership; to make and revoke any election permitted the Partnership by any taxing authority; to incur all reasonable expenditures; to employ and dismiss from employment any and all employees, agents, independent contractors, real estate managers, brokers, attorneys and accountants; to rent



or lease all or any portion of any property for any purpose and without limit as to the term thereof, whether or not such term (including renewal terms) shall extend beyond the date of the termination of the Partnership and whether or not the portion so rented or leased is to be occupied by the lessee or, in turn, subleased in whole or in part to others; (leases other than month-to-month rental of housing units to eligible tenants will, however, require the prior written approval of FmHA); to create, by grant or otherwise, easements and servitudes; do all acts they deem necessary or appropriate for the protection and preservation of the Partnership's assets; carrying at the expense of the Partnership such as insurance coverage for public liability and all other insurance necessary or appropriate to the business of the Partnership in such amounts and in types as they shall determine from time to time; to borrow money and as security therefor to mortgage all or any part of any property; to construct, alter, improve, repair, raze, replace or rebuild any property; to obtain replacements of any mortgage or mortgages related in any way to the property owned by the Partnership, and to prepay in whole or in part, refinance, recast, modify, consolidate or extend any mortgages affecting any such property; to do any and all of the foregoing at such price, rental or amount, for cash, securities or other property and upon such terms as the General Partners deem proper (provided, however, that in connection with the borrowing of money, recourse for the repayment of which is limited solely to Partnership property, no lender shall be granted or acquire, at any time as a result of making such a loan, any direct or indirect interest in the profits, capital or property of the Partnership other than as a secured creditor); to place record title to any property in its name or in the name of a nominee or a trustee for the purpose of mortgage financing or any other convenience or benefit of the Partnership; and to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

10.4.3 The General Partners shall have the right, power and authority to lease, sell, exchange, refinance or grant an option for the sale of all or any portion of the real and personal property of the Partnership, at such rental, price or amount, for cash, securities or other property and upon such other terms as the General Partners in their sole discretion deem proper; provided, that the sale or other disposition of any of the Partnership's assets (except for the sale or other disposition of the final property remaining as a result of sales of properties in the ordinary course of business) shall require the approval of Limited Partners holding a majority of the then outstanding interests.

10.4.4 The General Partners shall devote such time to the Partnership business as, in their sole discretion, they shall deem to be necessary to manage and supervise the Partnership business and affairs in an efficient manner; but nothing in this Agreement shall preclude the employment, at the expense of the

Partnership, of any agent or third party to manage or provide other services in respect of the Partnership property subject to the control of the General Partners.

10.4.5 The General Partners shall not be required to manage the Partnership as their sole and exclusive functions and they may have other business interests and may engage in other activities in addition to those relating to the Partnership, including the rendering of advice or services of any kind to other investors and the making or management of other investments. Neither the Partnership nor any Partner shall have any right by virtue of this Agreement or the partnership relationship created hereby in or to such other ventures or activities or to the income or proceeds derived therefrom and the pursuit of such ventures, even if competitive with the business of the Partnership, shall not be deemed wrongful or improper. The General Partners shall not be obligated to present any particular investment opportunity to the Partnership even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership and each of them shall have the right to take it for their own account (individually or as a trustee) or to recommend to others any such particular investment opportunity.

10.4.6 The General Partners may individually or jointly execute such documents as may be required in all dealings with FmHA, including documents necessary to permit such increase (or decrease) in the mortgage note as may be approved by FmHA.

10.4.7 No General Partner shall be accountable to the Partnership for any investment or business opportunity which he hereafter becomes aware of by reason of the affairs of the Partnership. Each Partner hereby waives any and all rights which he has now or may have in the future by reason of the doctrine of partnership opportunity.

10.5 Neither the General Partner nor any affiliate shall have the authority to:

10.5.1 Enter into contracts with the Partnership which would bind the Partnership after the expulsion, adjudication of bankruptcy or insolvency, dissolution or other cessation to exist of the General Partner, or to continue the business with Partnership assets after the occurrence of such event;

10.5.2 Sell substantially all of the assets of the Partnership in a single sale, or in multiple sales in the same 12-month period, except in the orderly liquidation and winding up of the business of the Partnership upon its termination and dissolution;

10.5.3 Alter the primary purpose of the Partnership as set forth in Section 4, "Purpose", of the Partnership Articles of Limited Partnership;

- 10.5.4 Receive from the Partnership a rebate or give-up or participate in any reciprocal business arrangement which would enable it or an Affiliate to do so;
- 10.5.5 Make long-term secured loans to the Partnership and on short-term unsecured loans made to the Partnership, receive interest on other financing charges or fees in excess of those amounts which would be charged by third party financing institutions on comparable loans for the same purpose in the same geographic area, except to the extent permitted by Section 9.
- 10.5.6 Do any act in contravention of these Articles of Limited Partnership or which would make it impossible to carry on the ordinary business of the Partnership;
- 10.5.7 Possess any Partnership Property or assign the rights of the Partnership in specific Partnership Property for other than a Partnership purpose;
- 10.5.8 Admit a person as a General Partner except with the consent of the Limited Partners as provided for in this Partnership Agreement;
- 10.5.9 Receive any insurance brokerage fee or write any insurance policy covering the General Partner or any of the Partnership Properties;
- 10.5.10 Employ, or permit to employ, the funds or assets of the Partnership in any manner except for the exclusive benefit of the Partnership;
- 10.5.11 Comingle the Partnership funds with those of any other person or entity;
- 10.5.12 Receive any commission or fee for the placement of mortgage loans or trust deed loans on the Partnership Property or otherwise act as a finance broker on behalf of the Partnership;
- 10.6 No Limited Partner may participate in the management of the Partnership business, except as provided by ORS 69.280.
- 10.7 The General Partners may not resign or withdraw from the Partnership without first obtaining the prior written approval of FmHA.
- 10.8 The General Partners, subject to the prior written approval of the FmHA, may be removed at the written request of Limited Partners holding a majority of the outstanding Units; however, such removal shall not affect any of the General Partners' ownership rights in Net Cash Distributions from Operations and Residue from Capital Transactions (see Sections 8 and 15). A successor General Partner may be chosen by the Limited Partners and must be approved by the Limited Partners holding all of the outstanding Units, providing the successor General Partner purchases all

the vested interests of the removed General Partners for a price agreed between such Partners, payable upon eventual termination and dissolution of the Partnership, said obligation being a prior charge on the residual interests in this Partnership of the successor General Partner. If the parties cannot agree on a price, they shall submit the issue of the price to be paid to binding arbitration pursuant to the rules of the American Arbitration Association and costs thereof shall be paid as the arbitrators determine.

- 10.9 The General Partners hereby agree that any General Partner may act individually with full authority and power to act for the General Partners.
11. Indemnification: The Partnership, but not the Limited Partners, shall indemnify and save harmless the General Partners from personal loss or damage incurred by him by reason of any act performed in good faith for and on behalf of the Partnership and intended to be in furtherance of the interests of the Partnership. The General Partners will not be indemnified for any acts arising out of their negligence, not in good faith, and willful misconduct.
12. Liability of Partners: No Limited Partner shall be personally liable for the Mortgage or the debt secured thereby or for any other debts of the Partnership or any of the losses thereof beyond the amount originally contributed by him to the capital of the Partnership. The General Partners shall not be personally liable for the Mortgage or the debt secured thereby, but shall be personally liable for all other debts of the Partnership. None of the foregoing shall limit the right of any Partner to claim deductions for income tax purposes.
13. Fiscal Control:
- 13.1 The fiscal year and accounting period of the Partnership shall be the calendar year and at all times during the continuance of the Partnership, the General Partners shall keep or cause to be kept full and true books of account in which shall be entered fully and accurately each transaction of the Partnership. The General Partners shall retain an accounting firm to perform the annual audit for the Partnership. Such accounting costs shall be an expense of the Partnership. The Partnership books shall be kept on a cash basis.
- 13.2 All of such books of account shall at all times be maintained at the principal office of the Partnership. Such books shall be open to inspection by any of the Partners or their accredited representatives at any reasonable time during normal business hours.
- 13.3 The General Partners agree to deliver to the Limited Partners annual audited financial statements and "information returns" on or before March 15 of each year, showing the profit or loss of the Partnership and the distribution or allocation thereof to each Partner for the preceding calendar year, which accounting shall be made on a quarterly basis. Likewise, unaudited financial statements shall be provided to each Partner

within 45 days of the end of each quarter, except the year-end quarter. All audited statements shall be prepared by the Partnership's selected accountant and the preparation of both the quarterly and annual statements shall be an expense of the Partnership.

13.4 All elections under the Internal Revenue Code with respect to the reporting of allowable depreciation on the Federal Income Tax Returns of the Partnership may be made and determined by the General Partners. It is understood and agreed that all of the Partners now elect to report a form of accelerated depreciation.

13.5 A separate capital account shall be maintained for each Partner.

13.6 Funds shall be retained in the Partnership in such amounts as the General Partners deem reasonably necessary to provide for the foreseeable expenses of the Partnership and to prevent impairment of the Partnership capital.

13.7 All funds of the Partnership shall be deposited in the Partnership name in a depository bank selected by the General Partners. Withdrawals shall be made by check, draft, or other appropriate instrument signed by the General Partners or by such other persons as they may designate.

14. Dissolution of Partnership: The Partnership shall be dissolved only upon the occurrence of one or more of the following events:

14.1 The sale of all or substantially all of the Partnership assets.

14.2 Upon the bankruptcy, death, or incapacity of any General Partner, provided however, that in any of such events the surviving General Partners or the Limited Partners holding a majority of the outstanding Units may elect to continue the business of the Partnership. In such event, the Partnership shall not be dissolved and the surviving General Partners may designate a new General Partner who must be approved by the Limited Partners holding all of the outstanding Units. In the event all General Partners are removed for any reason or because of their bankruptcy, death or incapacity, the Limited Partners holding all of the outstanding Units may elect to continue the business of the Partnership, providing the new General Partner is approved by a unanimous vote of Limited Partners, and further providing the new General Partner purchases all the vested interests of the prior General Partners in the Net Cash Distributions from Operations and Residue from Capital Transactions in this manner and as stated in Section 10.8;

14.3 Upon the decision of the General Partners, with the consent of Limited Partners holding a majority of the outstanding Units, to dissolve the Partnership;

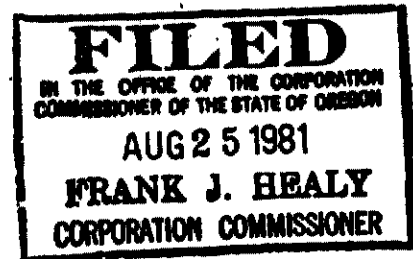
14.4 Upon destruction of all or substantially all of the Partnership property;

14.5 Upon unanimous consent of all of the Limited Partners to dissolve the Partnership, which consent shall be executed in writing;

- 14.6 Upon expiration of the period of the Partnership;
- 14.7 Upon dissolution of this Partnership, while the Loan Agreement with FmHA is still in effect, no title or right to possession and control shall pass to any individuals unless or until they have agreed to become bound by the Loan Agreement in a manner satisfactory to FmHA.
15. Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains
- 15.1 Upon any dissolution of the Partnership, the General Partners shall proceed to the orderly liquidation and termination of the Partnership. The proceeds of such liquidation shall be applied and distributed in the following order of priority subject to O.R.S Section 69.430:
- 15.1.1 In the event of dissolution only, to the payment of debts and liabilities of the Partnership (not including the contributions of Limited Partners and any loans or advances that may have been made by the General Partners to the Partnership) and expenses of liquidation.
- 15.1.2 To the setting up of any reserves which the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership;
- 15.1.3 To the payment of the outstanding balance on notes payable to Partners, if any, the Limited Partner's notes, if any, to be paid first;
- 15.1.4 To the payment of the Partners' capital contributions in the ratio as stated in Section 1.5.1, except as reduced by any prior distributions made pursuant to Section 15.2;
- 15.1.5 To the payment of \$1,800 per Unit owned for each year owned by the Limited Partners and in the ratio stated in 1.5.1 starting from date of subscription, less any Cash Distributions from Operations previously paid;
- 15.1.6 The "Residue" then remaining shall be apportioned in the ratio stated in Section 1.5.1, Residue from Capital Transactions, to the General Partners (divided among them as they separately agree) and to the Limited Partners (pro rata in relationship to the number of Units held by each), this share being paid to the General Partners as a "bonus" incentive for effective care and maintenance of the Project to maximize the eventual sales price.
- 15.2 The same order of distribution shall apply to the proceeds received by the Partnership from any net excess insurance proceeds and any net proceeds of mortgage refinancing, partial condemnation, sales of easements, rights-of-way, or similar interest in the property of the Partnership, and sales of parts of the Partnership property or interest therein and other similar items which, in accordance with generally accepted accounting

principles are attributable to capital including the return of operating or replacement reserves (working capital), to the extent available for distribution.

- 15.3 A reasonable time shall be allowed for the orderly liquidation of assets of the Partnership and the discharge of liabilities to creditors so as to enable the General Partners to minimize the normal losses attendant upon a liquidation.
- 15.4 The General Partners shall not be personally liable for the return of the capital contributions or advances of the Limited Partners or any portion thereof. Any such return shall be made solely from the Partnership assets.
16. Tax Treatment of Certain Gains: Although net proceeds to the Partnership upon the sale or other disposition of property of the Partnership shall be distributed as provided in Section 15 hereof, any taxable gain realized by the Partnership from such sale or distribution shall be allocated among the Partners as follows:
- 16.1 Not only gain subject to taxation as ordinary income pursuant to Sections 1245 and 1250 of the Internal Revenue Code, providing for depreciation recapture, but also any other taxable gain until the Partners' capital accounts are brought to zero, shall be distributed to the Limited Partners and the General Partners in the ratio necessary to raise their debit capital accounts to zero, (even though the cash proceeds are allocated differently as provided in Section 15). The debit capital accounts shall be determined after their distribution of cash on dissolution has been distributed.
- 16.2 All other taxable gain shall be allocated to the Limited Partners and the General Partners as stated in Section 1.5.2.
17. Transfer of Partnership Interests:
- 17.1 The General Partners or affiliates shall not assign, mortgage or sell their interest in the Partnership, or enter into any agreement as the result of which any person shall become interested with them in the Partnership, without the prior written approval of the FmHA and of the Limited Partners holding a majority of the outstanding Units. This provision shall not prohibit the General Partners from allocating their Partnership benefits among themselves or affiliates, from assigning up to 1/4th of their 30% interest in Residue from Capital Transactions to outside third parties in connection with borrowings of the Partnership, or to a 5% assignment of its residual interests to individuals licensed with Rockwood Securities Corporation.
- 17.2 Upon the death of a General Partner, the interest of the deceased General Partner in the Partnership shall pass as part of his estate as his Will or as the law shall provide, but without power to vote in matters concerning the Partnership. The successor or successors to that Partnership interest, by reason of such death, shall have all the rights of the decedent in the profits, losses, cash distributions, notes, capital and residue of the Partnership possessed by the decedent, subject to the provisions of Section



## TABLE OF CONTENTS

HOPE - PONDEROSA OREG. LTD.

## ARTICLES OF LIMITED PARTNERSHIP

<u>Item No.</u>	<u>Captions</u>	<u>Page No.</u>
1	Data	B-2
2	Formation	B-4
3	Registered and Principal Office and Agent for Service of Process	B-4
4	Purpose	B-5
5	Term	B-6
6	Capital Contributions	B-6
7	Compensation for Services	B-6
8	Profits, Losses and Distribution of Available Cash from Operations	B-8
9	Advances from General Partners	B-9
10	Powers, Duties and Responsibilities of the General Partners	B-9
11	Indemnification	B-13
12	Liability of Partners	B-14
13	Fiscal Control	B-14
14	Dissolution of Partnership	B-15
15	Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains	B-15
16	Tax Treatment of Certain Gains	B-16
17	Transfer of Partnership Interests	B-17
18	Admission of Additional Limited Partners	B-19
19	Representations and Warranties by Limited Partners	B-19
20	Amendments	B-20
21	Power of Attorney	B-21
22	Miscellaneous	B-22



1.5 General Partners' Total Cash Capital Contributions: \$7,240  
 Limited Partners' Total Cash Capital Contributions: \$652,000

Summary of General and Limited Partners' Interests:

		<u>General Ptnrs. %:</u>	<u>Limited Ptnrs. %:</u>
1.5.1	Net Operating Profits and Losses:	5%	95%
	Annual Net Cash Distributions From Operations until \$3,000 has been distributed to the Limited Partners for each Unit annually:	5%	95%
	And surplus Annual Net Cash Distributions from operations annually:	30%	70%
	Residue from Capital Transactions until each Limited Partner has recovered his Total Cash Contribution as stated in Section 1.5 in the aggregate:	1%	99%
	Thereafter, until each Limited Partner has recovered \$3,000 per Unit for each full year owned (prorated from date of subscription):	5%	95%
	And any Residue remaining shall be distributed:	30%	70%
1.5.2	After effect has been given to the distribution of cash on dissolution, all taxable gain on sale shall be allocated ratably to all Partners as necessary to raise their debit capital accounts to zero. The remaining taxable gain shall be distributed:	30%	70%
1.5.3	Net Cash Distributions from Operations if realized during any year, but not paid to either the Limited or General Partners, shall be cumulative, noncompounded, and be paid first from funds available for that purpose, prior to any payment of capital contributions on dissolution, but following payment of all debts of the Partnership. Whenever paid, it shall be paid to the Partners in the ratio stated in 1.5.1, (see Section 8.1).		

- 1.6 Number of Units of Participating Interest: 13.04  
Cash Contribution Per Unit: \$50,000, minimum purchase is 1 Unit, except as permitted in Section 6.3  
Approximate Percentage of Interest in the Limited Partnership Interests per Unit: 7.67%
- 1.7 Compensation to General Partners or affiliates. The General Partners or affiliates shall be paid:
- 1.7.1 A General Partners' Salary for services rendered during 1981 of 11% of gross income, with a maximum of \$6,844; 1982 of 6% of gross income, with a maximum of \$6,298; 1983 of 5% of gross income, with a maximum of \$5,202; 1984 of 4% of gross income, with a maximum of \$4,380; 1985 of 3% of gross income, with a maximum of \$3,285; and 1986 of 2% of gross income, with a maximum of \$1,369.
- 1.7.2 A Partnership Management Fee payable in 1981 in the amount of 10% of gross income, with a maximum of \$5,988; 1982 of 6% of gross income, with a maximum of \$5,510; 1983 of 5% of gross income, with a maximum of \$4,551; 1984 of 4% of gross income, with a maximum of \$3,833; 1985 of 3% of gross income, with a maximum of \$2,875; and 1986 of 2% of gross income, with a maximum of \$1,198.
- 1.7.3 A Property Management Fee as approved by FmHA from time to time based on the Gross Potential fair market rents which sum is \$20,804 as of September 1, 1981 and as provided by a voluntary contract between Rockwood Development Corporation and the Partnership (subject to the limitations of Section 7.3).
- 1.7.4 An Incentive Management Fee of 80% of the accrued but unpaid "limited dividend" distributions which accrued prior to Partnership acquisition of the Project to the extent the accrual of these distributions is allowed by FmHA and is cumulative (subject to the limitations of Section 7.4).
- 1.7.5 No Negative A Limited Cash Flow Guaranty Fee payable in 1981 in the amount of 7% of gross income, with a maximum of \$4,279; 1982 of 5% of gross income, with a maximum of \$3,934; 1983 of 4% of gross income, with a maximum of \$3,251; 1984 of 3% of gross income, with a maximum of \$2,738; 1985 of 2% of gross income, with a maximum of \$2,053; and 1986 of 1% of gross income, with a maximum of \$856.
2. Formation: The parties hereto do hereby form a Limited Partnership pursuant to the Uniform Limited Partnership Act of Oregon, named as stated in Section 1.1 above (hereinafter called "Partnership").
3. Registered and Principal Office and Agent for Service of Process: The address of the initial registered office of the Limited Partnership and its principal place of business shall be 161 High Street S.E., P.O. Box 230, Salem, Oregon 97308, (503) 364-5500, except as the General Partners shall otherwise designate. The name of the initial registered agent at such address is Mark E. Miller. The General Partners

designate said initial registered agent, as well as any successor registered agent, as their personal registered agent and attorney upon whom any process, notice or demand which arises out of the conduct of the Partnership affairs and which is required or permitted by law to be served upon a General Partner, may be served.

4. Purpose: The purposes and powers of the Partnership shall be as follows:
- 4.1 To provide adequate housing for eligible persons in furtherance of the purposes of Section 515 of the Housing Act of 1949.
  - 4.2 To acquire for such purposes that real property located where stated in Section 1.2, and as more fully described on Exhibit "A", attached hereto and by this reference made a part hereof.
  - 4.3 To own said projects (Project) consisting of the number of Units stated in Section 1.3 together with mortgages provided by the Farmers Home Administration (FmHA) as stated in Section 1.4 (the "Mortgage").
  - 4.4 To mortgage, sell, transfer and exchange or otherwise convey and encumber the Project in furtherance of the business of the Partnership.
  - 4.5 To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to the accomplishment of the development and operation of the Project, including but not by way of limitation, any contract of restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation, including but not limited to the Rural Rental Housing Loan to Individual Operating on Limited Profit Basis Loan Agreement between the Partnership and FmHA. Upon execution, the Loan Agreement and any forms, agreements, contracts, or affirmations as required by FmHA before a transfer of the Project to this Partnership shall be binding upon the Partnership and all of the Partners, whether they become Partners before or after the execution of the Loan Agreement, and said Loan Agreement shall remain binding upon the Partnership and the Partners, so long as a mortgage on the property owned by the Partnership is outstanding, unpaid, and held by FmHA. Any incoming Partner shall, as a condition of receiving an interest in the Partnership property, agree to be bound by the Note, Mortgage and Loan Agreement and other documents required in connection with the Loan to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to collect the rents therefrom shall pass to any person who is not bound by the Loan Agreement in a manner satisfactory to FmHA. Anything elsewhere to the contrary notwithstanding, in the event of any inconsistency between the terms of this Agreement and the terms of the Loan Agreement, the Loan Agreement shall be controlling.
  - 4.6 To execute a Note and Mortgage in order to obtain the loan stated in Section 1.4 (the "Loan") and other documents required by FmHA in connection with such Loan.
  - 4.7 To rent the Project from time to time, in accordance with applicable Federal, State, and local regulations, collecting the income therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds, except as provided herein, to the General Partners and Limited Partners, subject to any requirements which may be imposed by the FmHA Loan Agreement governing the Project.

5. **Term:** The Partnership shall commence not later than the date the Articles of Limited Partnership are filed with the Oregon Corporation Commissioner and shall continue for fifty-two (52) years unless earlier dissolved by any one of the events set out in Section 14. The death of a Limited Partner shall not dissolve the Partnership or terminate the Partnership business.
6. **Capital Contributions:** The following capital contributions shall be made:
- 6.1 The General Partners shall make a capital contribution as stated in 1.5 to the Partnership and shall provide services as stated herein for agreed fees and salary. The aggregate capital contributions of the General Partners shall at all times equal or exceed one percent (1%) of the aggregate capital contributions of the Limited Partners.
- 6.2 The persons who execute this Agreement as Limited Partners shall contribute to the capital of the Partnership an aggregate cash amount as stated in Section 1.5 for the number of Units of Limited Partnership Interests as stated in Section 1.6, each Unit representing the Limited Partners' interest in the operating net profits, losses and net cash distributions of the Partnership, as defined in Section 8, and on dissolution of the Partnership Property as defined in Section 14, subject to taxable allocations as defined in Section 16.
- 6.3 These Units of Limited Partnership Interests and the rights represented thereby are hereafter called "Units". The percentage of interest in the Limited Partnership Interests in the Partnership, as herein defined, of each Limited Partner shall be the percentage of the Units owned by such Limited Partner as compared to the total outstanding Units, such percentage being as stated in Section 1.6. The Limited Partners shall make their cash contributions to the Partnership as stated on their individually executed Subscription and Counterpart Agreements. Fractional Units may be sold by the General Partners and may be owned as such by Limited Partners.
- 6.4 The Partnership shall be responsible for providing equity requirements and working capital as required, but the General Partners shall not be so responsible, except to the extent of their Limited No Negative Cash Flow Guaranty, although they will exercise their best efforts to provide any shortage not funded by capital subscriptions. The Limited Partners shall have no liability to provide funds in addition to their original subscription to construct or otherwise operate the Project.
7. **Compensation for Services:** The following compensation shall be payable for services rendered to the Partnership, and fees stated in Sections 7.1, 7.2, and 7.2.1 shall be paid only from those funds contributed to the Partnership by the Limited Partners and will not be paid from mortgage proceeds or operating income.
- 7.1 The General Partners, as a payment for services rendered, including but not limited to, the following: (1) review of management changes requested by FmHA; (2) review and coordination of FmHA Regulations, as they relate to project ownership and proposed FmHA Regulations; (3) preparation and submission of all reports required by Oregon Corporation Commissioner and

Idaho Department of Regulatory Agencies and NASD and S.E.C., if applicable; (4) selection and on-going performance review of property management firm, including all procedures, and compliance with FmHA regulations, and all other governmental regulations having jurisdiction over the partnership and/or its projects; (5) developing adequate Partnership records; (6) maintaining an office for the Partnership; and (7) maximizing income to the Partnership during the period stated in Section 1.7.1, shall receive a salary from the Partnership as stated in Section 1.7.1, from the capital contributions made or agreed to be made by the Limited Partners. Such fee is not payable for Partnership organization costs and shall be treated as a necessary and ordinary business expense.

7.2 Rockwood Development Corporation, an affiliate of the General Partners, shall receive that Partnership Management Fee stated in Section 1.7.2, which shall be treated as a necessary and ordinary business expense and shall consist of compensation for, including but not limited to, the following: (1) Coordination of transfers of Limited Partner Units, (2) review of requests for transfer and maintaining of Partnership records and certificates; (3) correspondence with Limited Partners; (4) preparation and submission of profit and loss and cash flow projections annually to Limited Partners; (5) on-going review and analysis of the opportunities for the disposition and sale of the properties, as well as the refinancing opportunities under FmHA and other refinancing opportunities; (6) review and approval with sufficient detail on all capital expenditures of \$5,000 or more, as required by the management agreement; (7) coordination of lawsuits involving the owner, including condemnation proceedings and all claims and settlements relating to claims under insurance coverages; (8) annual interviews and selection of auditing firm for the Partnership; and (9) review of completed audit and tax return with Limited Partners and their legal and accounting counsel.

7.2.1 Rockwood Development Corporation, an affiliate of the General Partners, shall agree to loan to the Partnership all sums necessary to meet its operating obligations after the Partnership has expended its budgeted working capital of \$50,000. Such loans will bear interest at the rate of 1% greater than the borrowing rate of Rockwood Development Corporation but shall not exceed 3% more than the prime rate of the First Interstate Bank of Oregon and be repaid as provided in Section 15.1.3. In exchange for agreeing to provide the Partnership funds as outlined in this Section 7.2.1, Rockwood Development Corporation shall receive that No Negative Limited Cash Flow Guaranty Fee as stated in 1.7.5.

7.3 Rockwood Development Corporation, an affiliate of the General Partners, shall be paid a Property Management Fee for the Project in the amount stated in Section 1.7.3 unless a different fee is approved by FmHA from time to time. Such fee shall be paid monthly. In the event the Partnership retains third parties to perform a portion or all of the services set forth below, the Partnership will be solely responsible for any fees charged by such persons. Property Management services will include, but not be limited to: (1) review of the maintenance, repair, remodeling and refurbishing of all Partnership Properties; (2) review of rental schedules and recommendations with respect to changes thereto; (3) preparation and

review of historical and projected performance and variation analysis; (4) preparation and review of leases, management agreements and maintenance agreements; and (5) review of replacement reserves and working capital and recommendations with respect to changes thereto.

- 7.4 As an Incentive to maximize Partnership earnings, Rockwood Development Corporation shall also be entitled to receive an Incentive Management Fee as stated in 1.7.4. This fee shall be paid from accrued but unpaid "limited dividend" distributions, to the extent allowed by FmHA to be cumulative, which were accrued prior to the Partnership's purchase of the Project. Rockwood Development Corporation shall be entitled to receive 80% of these accumulated limited dividends as an Incentive Management Fee. All cash available for distribution shall first be applied to bring limited dividends accrued from the date of the Partnership's acquisition of the Project (to the extent allowed by FmHA) current. Such cash will be distributed as Net Cash Available for Distribution. Remaining cash shall be allocated 80% to Rockwood Development Corporation and 20% to the Partnership until such cash equals the unpaid limited dividends accrued prior to the Partnership's acquisition of the Project. Remaining cash thereafter shall be allocated to the Partnership.
- 7.5 If the General Partners, or one of them, provide services for the Partnership as provided in Sections 10.1 and 10.2, such General Partners may receive allowable fees or income for such services.
- 7.6 Should a General Partner be expelled from the Partnership, such General Partner shall be entitled to interest on any loans made subject to the provisions of this Partnership Agreement.
- 7.7 Should a General Partner be expelled from the Partnership according to provisions of Section 10.8 of this Partnership Agreement, or should the Agent's Property Management Agreement be terminated if one of the General Partners or affiliates is the Managing Agent, any portion of the Property Management Fee or any other fee or commission payable according to the provisions of this Section 7 which is then accrued and due, but not yet paid, shall be paid by the Partnership to the General Partners or Agent in cash within 30 days of the date of expulsion as stated in the written notice of expulsion.

8. Profits, Losses and Distribution of Available Cash from Operations:

- 8.1 Net Operating Profits and Losses and Net Cash Distributions from Operations (after payment of all fees) shall be distributed to the Limited Partners (pro rata in the relationship of the number of Units held by each) and the General Partners (divided among them as they agree) as stated in Section 1.5.1. "Net Operating Profits and Losses" are defined as those reported by the Partnership's accountant on the Partnership's annual Partnership Income tax information return pursuant to generally accepted accounting principles. "Net Cash Distributions from Operations" is the net operating profit or loss sum stated above, plus non-cash charges (depreciation and amortization), less cash requirements paid or set aside to pay the Mortgage payable, expenses (including management fees), reserves and other liabilities pursuant to generally accepted accounting principles and as allowed by FmHA.

- 8.2 The Net Operating Profits and Losses and Net Cash Distributions from Operations apportioned to the Limited Partners shall be reapportioned among them, pro rata, in relationship to the number of Units owned by each as compared to the total Units outstanding, even though the percentage of interest per Unit, as stated in 1.6, is exceeded.
- 8.3 From time to time as allowed by FmHA, but at least annually, the General Partners shall distribute the available Net Cash Available for Distribution to the General and Limited Partners entitled thereto, part or all of which may be a return on or of the Partners' initial investment.
- 8.4 No Partner shall receive any interest on his contribution to the capital of the Partnership or have any priority of any kind over any other Limited Partner.
- 8.5 The Partnership is responsible for the payment of all fees in connection with this Partnership as expenses of the Partnership. Reimbursement (other than for organization and offering expenses or other fees described herein) to the General Partners or their Affiliates shall not be made, except for reimbursement of the actual cost to the General Partners or their Affiliates of goods and materials used for or by the Partnership or for services otherwise provided for herein.
- 8.6 Each Partner by his signature hereto specifically recognizes that the Loan Agreement presently prohibits distributions of cash to the Partnership in excess of six or eight percent (6% or 8%) of the Project equity (as determined by FmHA) depending on the particular project, defined as the "Borrower's Initial Investment", in the Loan Agreement. All cash distributions will be subject to the provisions and amendments or modifications of such rules and regulations when promulgated by FmHA.
- 8.7 No Partner shall receive any interest on his contribution to the capital of the Partnership (except interest earned by the Escrow Agent during the subscription period) or have any priority of any kind over any other Limited Partner.
9. Advances from General Partners: The General Partners may advance funds to pay costs incurred in connection with the acquisition of the buildings to the extent cash is not available from the activities of the Partnership, including rentals, capital contributions, and proceeds resulting from an increase in the Loan. The General Partners may make advances or loans to the Partnership to pay its operating costs. For all such advances the General Partners shall receive a promissory note or notes, payable from the first funds available from operating revenue, said notes to bear interest at a rate 1% per annum more than that payable by the General Partners to their lending bank and such notes shall be payable prior to the payment of Cash Distributions to the Partners. Loans by the General Partners to the Partnership shall require the approval of the holders of a majority of the Limited Partnership Units.
10. Powers, Duties and Responsibilities of the General Partners:
- 10.1 The General Partners shall be responsible for the supervision, operation and maintenance of the Partnership business, property, and its accounting records.

- 10.2 Although, as owners, they have no obligation to manage the Project, the General Partners may do so or they may appoint a managing agent and the Limited Partners hereby consent to the employment of such managing agent as the General Partners may engage, notwithstanding the fact that any party hereto may have an interest therein, provided that the amount paid to such managing agent shall not exceed the rates authorized by FmHA. The management fee shall be an expense of the Partnership. It shall be permissible to employ one or more of the General Partners as managers or to engage an agency in which one or more of the General Partners has an interest.
- 10.3 Nothing contained herein, however, shall prevent any of the Partners, General or Limited, from continued engagement in real estate activities other than this Partnership, and no parties herein shall have any interest in such other activities by virtue of this Partnership.
- 10.4 Without limitation of any power that may be conferred upon them by law, the General Partners may engage in activities as hereinafter outlined.
- 10.4.1 The General Partners shall have exclusive authority to manage the operations and affairs of the Partnership and to make all decisions regarding the business of the Partnership. Pursuant to the foregoing, it is understood and agreed that the General Partners shall have all of the rights and powers of a General Partner contemplated by the Oregon Uniform Limited Partnership Act and as otherwise provided by law, and any action taken by the General Partners shall constitute the act of and serve to bind the Partnership.
- 10.4.2 The General Partners are hereby granted the right, power and authority to do on behalf of the Partnership all things which, in their sole judgment, are necessary, proper or desirable to carry out their duties and responsibilities, including but not limited to the right, power and authority to compromise, submit to arbitration, sue or defend all claims in favor of or against the Partnership; to make and revoke any election permitted the Partnership by any taxing authority; to incur all reasonable expenditures; to employ and dismiss from employment any and all employees, agents, independent contractors, real estate managers, brokers, attorneys and accountants; to rent or lease all or any portion of any property for any purpose and without limit as to the term thereof, whether or not such term (including renewal terms) shall extend beyond the date of the termination of the Partnership and whether or not the portion so rented or leased is to be occupied by the lessee or, in turn, subleased in whole or in part to others; (leases other than month-to-month rental of housing units to eligible tenants will, however, require the prior written approval of FmHA); to create, by grant or otherwise, easements and servitudes; do all acts they deem necessary or appropriate for the protection and preservation of the Partnership's assets; carrying at the expense of the Partnership such as insurance coverage for public liability and all other insurance necessary or appropriate to the



business of the Partnership in such amounts and in types as they shall determine from time to time; to borrow money and as security therefor to mortgage all or any part of any property; to construct, alter, improve, repair, raze, replace or rebuild any property; to obtain replacements of any mortgage or mortgages related in any way to the property owned by the Partnership, and to prepay in whole or in part, refinance, recast, modify, consolidate or extend any mortgages affecting any such property; to do any and all of the foregoing at such price, rental or amount, for cash, securities or other property and upon such terms as the General Partners deem proper (provided, however, that in connection with the borrowing of money, recourse for the repayment of which is limited solely to Partnership property, no lender shall be granted or acquire, at any time as a result of making such a loan, any direct or indirect interest in the profits, capital or property of the Partnership other than as a secured creditor); to place record title to any property in its name or in the name of a nominee or a trustee for the purpose of mortgage financing or any other convenience or benefit of the Partnership; and to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

10.4.3 The General Partners shall have the right, power and authority to lease, sell, exchange, refinance or grant an option for the sale of all or any portion of the real and personal property of the Partnership, at such rental, price or amount, for cash, securities or other property and upon such other terms as the General Partners in their sole discretion deem proper; provided, that the sale or other disposition of any of the Partnership's assets (except for the sale or other disposition of the final property remaining as a result of sales of properties in the ordinary course of business) shall require the approval of Limited Partners holding a majority of the then outstanding interests.

10.4.4 The General Partners shall devote such time to the Partnership business as, in their sole discretion, they shall deem to be necessary to manage and supervise the Partnership business and affairs in an efficient manner; but nothing in this Agreement shall preclude the employment, at the expense of the Partnership, of any agent or third party to manage or provide other services in respect of the Partnership property subject to the control of the General Partners.

10.4.5 The General Partners shall not be required to manage the Partnership as their sole and exclusive functions and they may have other business interests and may engage in other activities in addition to those relating to the Partnership, including the rendering of advice or services of any kind to other investors and the making or management of other investments. Neither the Partnership nor any Partner shall have any right by virtue of this Agreement or the partnership relationship created

hereby in or to such other ventures or activities or to the income or proceeds derived therefrom and the pursuit of such ventures, even if competitive with the business of the Partnership, shall not be deemed wrongful or improper. The General Partners shall not be obligated to present any particular investment opportunity to the Partnership even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership and each of them shall have the right to take it for their own account (individually or as a trustee) or to recommend to others any such particular investment opportunity.

10.4.6 The General Partners may individually or jointly execute such documents as may be required in all dealings with FmHA, including documents necessary to permit such increase (or decrease) in the mortgage note as may be approved by FmHA.

10.4.7 No General Partner shall be accountable to the Partnership for any investment or business opportunity which he hereafter becomes aware of by reason of the affairs of the Partnership. Each Partner hereby waives any and all rights which he has now or may have in the future by reason of the doctrine of partnership opportunity.

10.5 Neither the General Partner nor any affiliate shall have the authority to:

10.5.1 Enter into contracts with the Partnership which would bind the Partnership after the expulsion, adjudication of bankruptcy or insolvency, dissolution or other cessation to exist of the General Partner, or to continue the business with Partnership assets after the occurrence of such event;

10.5.2 Sell substantially all of the assets of the Partnership in a single sale, or in multiple sales in the same 12-month period, except in the orderly liquidation and winding up of the business of the Partnership upon its termination and dissolution;

10.5.3 Alter the primary purpose of the Partnership as set forth in Section 4, "Purpose", of the Partnership Articles of Limited Partnership;

10.5.4 Receive from the Partnership a rebate or give-up or participate in any reciprocal business arrangement which would enable it or an Affiliate to do so;

10.5.5 Make long-term secured loans to the Partnership and on short-term unsecured loans made to the Partnership, receive interest on other financing charges or fees in excess of those amounts which would be charged by third party financing institutions on comparable loans for the same purpose in the same geographic area, except to the extent permitted by Section 9.

10.5.6 Do any act in contravention of these Articles of Limited Partnership or which would make it impossible to carry on the ordinary business of the Partnership;

- 10.5.7 Possess any Partnership Property or assign the rights of the Partnership in specific Partnership Property for other than a Partnership purpose;
  - 10.5.8 Admit a person as a General Partner except with the consent of the Limited Partners as provided for in this Partnership Agreement;
  - 10.5.9 Receive any insurance brokerage fee or write any insurance policy covering the General Partner or any of the Partnership Properties;
  - 10.5.10 Employ, or permit to employ, the funds or assets of the Partnership in any manner except for the exclusive benefit of the Partnership;
  - 10.5.11 Comingle the Partnership funds with those of any other person or entity;
  - 10.5.12 Receive any commission or fee for the placement of mortgage loans or trust deed loans on the Partnership Property or otherwise act as a finance broker on behalf of the Partnership;
- 10.6 No Limited Partner may participate in the management of the Partnership business, except as provided by ORS 69.280.
- 10.7 The General Partners may not resign or withdraw from the Partnership without first obtaining the prior written approval of FmHA.
- 10.8 The General Partners, subject to the prior written approval of the FmHA, may be removed at the written request of Limited Partners holding a majority of the outstanding Units; however, such removal shall not affect any of the General Partners' ownership rights in Net Cash Distributions from Operations and Residue from Capital Transactions (see Sections 8 and 15). A successor General Partner may be chosen by the Limited Partners and must be approved by the Limited Partners holding all of the outstanding Units, providing the successor General Partner purchases all the vested interests of the removed General Partners for a price agreed between such Partners, payable upon eventual termination and dissolution of the Partnership, said obligation being a prior charge on the residual interests in this Partnership of the successor General Partner. If the parties cannot agree on a price, they shall submit the issue of the price to be paid to binding arbitration pursuant to the rules of the American Arbitration Association and costs thereof shall be paid as the arbitrators determine.
- 10.9 The General Partners hereby agree that any General Partner may act individually with full authority and power to act for the General Partners.
11. Indemnification: The Partnership, but not the Limited Partners, shall indemnify and save harmless the General Partners from personal loss or damage incurred by him by reason of any act performed in good faith for and on behalf of the Partnership and intended to be in furtherance of the interests of the Partnership. The General Partners will not be indemnified for any acts arising out of their negligence, not in good faith, and willful misconduct.

12. Liability of Partners: No Limited Partner shall be personally liable for the Mortgage or the debt secured thereby or for any other debts of the Partnership or any of the losses thereof beyond the amount originally contributed by him to the capital of the Partnership. The General Partners shall not be personally liable for the Mortgage or the debt secured thereby, but shall be personally liable for all other debts of the Partnership. None of the foregoing shall limit the right of any Partner to claim deductions for income tax purposes.

13. Fiscal Control:

- 13.1 The fiscal year and accounting period of the Partnership shall be the calendar year and at all times during the continuance of the Partnership, the General Partners shall keep or cause to be kept full and true books of account in which shall be entered fully and accurately each transaction of the Partnership. The General Partners shall retain an accounting firm to perform the annual audit for the Partnership. Such accounting costs shall be an expense of the Partnership. The Partnership books shall be kept on a cash basis.
- 13.2 All of such books of account shall at all times be maintained at the principal office of the Partnership. Such books shall be open to inspection by any of the Partners or their accredited representatives at any reasonable time during normal business hours.
- 13.3 The General Partners agree to deliver to the Limited Partners annual audited financial statements and "information returns" on or before March 15 of each year, showing the profit or loss of the Partnership and the distribution or allocation thereof to each Partner for the preceding calendar year, which accounting shall be made on a quarterly basis. Likewise, unaudited financial statements shall be provided to each Partner within 45 days of the end of each quarter, except the year-end quarter. All audited statements shall be prepared by the Partnership's selected accountant and the preparation of both the quarterly and annual statements shall be an expense of the Partnership.
- 13.4 All elections under the Internal Revenue Code with respect to the reporting of allowable depreciation on the Federal Income Tax Returns of the Partnership may be made and determined by the General Partners. It is understood and agreed that all of the Partners now elect to report a form of accelerated depreciation.
- 13.5 A separate capital account shall be maintained for each Partner.
- 13.6 Funds shall be retained in the Partnership in such amounts as the General Partners deem reasonably necessary to provide for the foreseeable expenses of the Partnership and to prevent impairment of the Partnership capital.
- 13.7 All funds of the Partnership shall be deposited in the Partnership name in a depository bank selected by the General Partners. Withdrawals shall be made by check, draft, or other appropriate instrument signed by the General Partners or by such other persons as they may designate.

14. Dissolution of Partnership: The Partnership shall be dissolved only upon the occurrence of one or more of the following events:
- 14.1 The sale of all or substantially all of the Partnership assets.
  - 14.2 Upon the bankruptcy, death, or incapacity of any General Partner, provided however, that in any of such events the surviving General Partners or the Limited Partners holding a majority of the outstanding Units may elect to continue the business of the Partnership. In such event, the Partnership shall not be dissolved and the surviving General Partners may designate a new General Partner who must be approved by the Limited Partners holding all of the outstanding Units. In the event all General Partners are removed for any reason or because of their bankruptcy, death or incapacity, the Limited Partners holding all of the outstanding Units may elect to continue the business of the Partnership, providing the new General Partner is approved by a unanimous vote of Limited Partners, and further providing the new General Partner purchases all the vested interests of the prior General Partners in the Net Cash Distributions from Operations and Residue from Capital Transactions in this manner and as stated in Section 10.8;
  - 14.3 Upon the decision of the General Partners, with the consent of Limited Partners holding a majority of the outstanding Units, to dissolve the Partnership;
  - 14.4 Upon destruction of all or substantially all of the Partnership property;
  - 14.5 Upon unanimous consent of all of the Limited Partners to dissolve the Partnership, which consent shall be executed in writing;
  - 14.6 Upon expiration of the period of the Partnership;
  - 14.7 Upon dissolution of this Partnership, while the Loan Agreement with FmHA is still in effect, no title or right to possession and control shall pass to any individuals unless or until they have agreed to become bound by the Loan Agreement in a manner satisfactory to FmHA.
15. Distributions Upon Dissolution, Termination, Refinancing or Other "One-time" Gains:
- 15.1 Upon any dissolution of the Partnership, the General Partners shall proceed to the orderly liquidation and termination of the Partnership. The proceeds of such liquidation shall be applied and distributed in the following order of priority subject to O.R.S Section 69.430:
    - 15.1.1 In the event of dissolution only, to the payment of debts and liabilities of the Partnership (not including the contributions of Limited Partners and any loans or advances that may have been made by the General Partners to the Partnership) and expenses of liquidation.

- 15.1.2 To the setting up of any reserves which the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership;
- 15.1.3 To the payment of the outstanding balance on notes payable to Partners, if any, the Limited Partner's notes, if any, to be paid first;
- 15.1.4 To the payment of the Partners' capital contributions in the ratio as stated in Section 1.5.1, except as reduced by any prior distributions made pursuant to Section 15.2;
- 15.1.5 To the payment of \$3,000 per Unit owned for each year owned by the Limited Partners and in the ratio stated in 1.5.1 starting from date of subscription, less any Cash Distributions from Operations previously paid;
- 15.1.6 The "Residue" then remaining shall be apportioned in the ratio stated in Section 1.5.1, Residue from Capital Transactions, to the General Partners (divided among them as they separately agree) and to the Limited Partners (prorata in relationship to the number of Units held by each), this share being paid the General Partners as a "bonus" incentive for effective care and maintenance of the Project to maximize the eventual sales price.
- 15.2 The same order of distribution shall apply to the proceeds received by the Partnership from any net excess insurance proceeds and any net proceeds of mortgage refinancing, partial condemnation, sales of easements, rights-of-way, or similar interest in the property of the Partnership, and sales of parts of the Partnership property or interest therein and other similar items which, in accordance with generally accepted accounting principles are attributable to capital including the return of operating or replacement reserves (working capital), to the extent available for distribution.
- 15.3 A reasonable time shall be allowed for the orderly liquidation of assets of the Partnership and the discharge of liabilities to creditors so as to enable the General Partners to minimize the normal losses attendant upon a liquidation.
- 15.4 The General Partners shall not be personally liable for the return of the capital contributions or advances of the Limited Partners or any portion thereof. Any such return shall be made solely from the Partnership assets.
16. Tax Treatment of Certain Gains: Although net proceeds to the Partnership upon the sale or other disposition of property of the Partnership shall be distributed as provided in Section 15 hereof, any taxable gain realized by the Partnership from such sale or distribution shall be allocated among the Partners as follows:

- 16.1 Not only gain subject to taxation as ordinary income pursuant to Sections 1245 and 1250 of the Internal Revenue Code, providing for depreciation recapture, but also any other taxable gain until the Partners' capital accounts are brought to zero, shall be distributed to the Limited Partners and the General Partners in the ratio necessary to raise their debit capital accounts to zero, (even though the cash proceeds are allocated differently as provided in Section 15). The debit capital accounts shall be determined after their distribution of cash on dissolution has been distributed.
- 16.2 All other taxable gain shall be allocated to the Limited Partners and the General Partners as stated in Section 1.5.2.

17. Transfer of Partnership Interests:

- 17.1 The General Partners or affiliates shall not assign, mortgage or sell their interest in the Partnership, or enter into any agreement as the result of which any person shall become interested with them in the Partnership, without the prior written approval of the FmHA and of the Limited Partners holding a majority of the outstanding Units. This provision shall not prohibit the General Partners from allocating their Partnership benefits among themselves or affiliates, from assigning up to 1/4th of their 40% interest in Residue from Capital Transactions to outside third parties in connection with borrowings of the Partnership, or to a 5% assignment of its residual interests to individuals licensed with Rockwood Securities Corporation.
- 17.2 Upon the death of a General Partner, the interest of the deceased General Partner in the Partnership shall pass as part of his estate as his Will or as the law shall provide, but without power to vote in matters concerning the Partnership. The successor or successors to that Partnership interest, by reason of such death, shall have all the rights of the decedent in the profits, losses, cash distributions, notes, capital and residue of the Partnership possessed by the decedent, subject to the provisions of Section 14.2 hereof. Upon the death of a Limited Partner, his lawful successor in interest may become a Limited Partner, subject to all of the terms and conditions of this Agreement, providing consent of the General Partners is first obtained, as herein provided.

The death of any Limited Partner shall not have the effect of terminating or dissolving this Partnership. Upon the death of a Limited Partner, his or her estate, devisee and/or heirs shall succeed to his interests and shall be bound by the terms and provisions of this Agreement; however, in the event that the interests of the deceased do not pass to a single trust or pass to more than one heir or devisee, or, upon termination of any such trust, are distributed to more than one beneficiary (the "Distributees") shall, within ninety (90) days after distribution by the Estate of the deceased Limited Partner or by the trustee under any trust established by the deceased Limited Partner, execute and deliver to the General Partners a written instrument (including a power of attorney) appointing one person, firm or corporation as and to be the agent of and for said Distributees. Such agent shall be responsible for collecting, receiving and making all payments and contributions required hereunder, shall vote all interests of the

Distributees, and shall perform all other obligations of such Distributees performable by reason of or arising from their interests. Such payments shall be deemed to have been validly made to such Distributees by paying the same to such duly designated agent. In the event that said Distributees for any reason fail to designate such agent in writing in the manner and within the time prescribed and continue to cure such default after ten (10) days' written notice from the General Partners to correct the same, the General Partners shall have the right, at their election, to withhold all sums that are payable with respect to the interests of the Distributees until such time as the Partnership is dissolved or such default is cured. So long as such default exists with respect to any interests, such interests may not be voted on any matter on which the vote or consent of Limited Partners or holders of interests is required or permitted herein. Whenever interests may not be voted on a transaction, the percentage required herein for approval shall only include those Limited Partners permitted to vote. Upon the death of a Limited Partner's spouse having a community property interest in the interests of the Limited Partner, the foregoing provisions of this Section 17.2, shall apply to all of the deceased spouse's community property interests in the surviving spouse's interests in the Partnership which do not pass to the surviving spouse by will or through operation of law, and such provisions shall be applied to such interests as though the Limited Partner had owned such interests and had died on the date of his spouse's death, leaving such interests to the actual recipients thereof.

- 17.3 Although a Limited Partner may assign his rights to Profits, Losses, and Net Cash Distributions, with the prior written consent of FmHA, an assignee cannot become a Limited Partner without the consent of a General Partner, the granting or denial of which is in the absolute discretion of the General Partners and the FmHA. The General Partners shall not give their consent to any such transfer unless and until they have received an opinion of counsel satisfactory to the General Partners that the proposed transfer will not terminate the Partnership for Federal income tax purposes nor cause a loss of any exemption from registration under the Securities and Exchange Act. A \$100 transfer fee in addition to actual costs incurred by the General Partners in connection with such a transfer shall be charged to the Limited Partner transferring his interests.
- 17.4 In the event that a transferee of a Partnership Interest becomes a Limited Partner, the items of gross income, deduction and credit pertaining to the transferred interest for the fiscal year of the transfer shall, unless otherwise agreed by the transferor and transferee, be allocated between the transferor and transferee on a pro rata quarterly basis.
- 17.5 Upon the transfer of an interest in the Partnership, the Partnership may elect, pursuant to Section 734 of the Internal Revenue Code of 1954, as amended, to adjust the basis of the Partnership property as allowed by Section 734(b) and 743(b) of said Code. The election shall be filed with the Partnership's Income Tax Return for the first taxable year in which the election applies.



- 17.6 Notwithstanding anything set forth above in this Section 17, no sale or exchange of all or a part of an interest in this Partnership shall occur if it would cause the termination of the Partnership for Federal income tax purposes, unless all the Partners agree in writing to such sale or exchange.
18. Admission of Additional Limited Partners: The General Partners may not admit to the Partnership additional Limited Partners contributing more capital than contemplated by this Agreement without the consent of Limited Partners holding a majority of the outstanding Units.
19. Representations and Warranties by Limited Partners: Each Limited Partner hereby represents and warrants to the Partnership and the General Partners as follows:
- 19.1 He is purchasing his Limited Partnership interest for his personal investment purposes only and not with a view toward distribution or sale of all or a portion of such interest.
- 19.2 He will not sell or offer for sale his interest in the Partnership without complying with the provisions of these Articles pertaining to transferability. He is aware that the Articles impose substantial restrictions on the transferability of his interest in the Partnership and recognizes that there is no ready public market for such interest and that it may not be possible to readily liquidate his investment in the Partnership.
- 19.3 He is financially capable of and intends to retain ownership of his Units during the entire term of the Partnership or for as long as he is physically capable of so doing.
- 19.4 Although it is expected that he will presently qualify for certain tax benefits offered by the Internal Revenue Code now in effect, as amended by the Tax Reform Act of 1969, because of the principal asset and business of the Partnership, he recognizes that there is no guarantee that the Internal Revenue Code or the regulations promulgated thereunder will not be amended in such a manner as to wholly or partially deprive him of any tax benefit he might presently receive under the law now in effect.
- 19.5 He has made a careful investigation of the materials (particularly the Offering Document and these Articles) submitted to him by the General Partners and has relied on his own investigation thereof and not on any oral representations of the General Partners, or anyone acting on their behalf, in making his decision to invest. He has not been denied any information with respect to the Partnership or the Project which he believed to be material to his decision to invest.
- 19.6 Securities Law Compliance. The Limited Partners hereby acknowledge that the offering of Limited Partnership Units will not be registered under the Securities Act of 1933 and is being made in reliance upon the availability of an exemption from that Act. The exemption claimed is the "private offering" exemption pursuant to Section 4(2) of the Securities Act of 1933 and Rule 146 promulgated thereunder.

Each Limited Partner, therefore, represents and warrants that he has read and understands the "Investor Suitability Standards" section of the Private Placement Memorandum dated \_\_\_\_\_ of HOPE - PONDEROSA OREG. LTD. Each Limited Partner also represents and warrants the following:

- a. That he can bear a total loss of his investment in the Partnership, as well as the adverse tax consequences of recapture of tax deductions
- b. That he anticipates that in 1981 through 1984 at least some of his income will be subject to Federal income tax at the rate of forty percent 40% (46% for corporations)
- c. That he has a net worth (exclusive of home, furnishings and automobiles) of at least \$100,000 or a net worth of at least \$250,000 exclusive of home, automobile and furnishings in which case he may disregard the requirement of subpart (b) above
- d. That he and his offerree representative (if any) have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the investment in the Partnership
- e. That his participation in programs that offer tax incentives is reasonable in relation to his income and net worth
- f. That he is acquiring the Partnership interest for long-term investment and not with a view toward resale, fractionalization, division or distribution thereof
- g. That he has received and read a copy of the Private Placement Memorandum, has relied solely and completely on the Memorandum in making his decision to purchase Limited Partnership Units in the Partnership and has not relied on any representations not contained in the Private Placement Memorandum in making his investment decision, and
- h. That he has read, understands, completed and executed the Partnership Subscription Agreement and the Partnership Offerree Representative's Questionnaire (if applicable).

The General Partners may reject the application of any prospective investor who fails to comply with any of the provisions of this Article or for any other reason.

20. Amendments:

- 20.1 Amendments to the Articles may be proposed by the General Partners or by Limited Partners holding 10% of the outstanding Units. Following such proposal, the General Partners shall submit to the Limited Partners a verbatim statement of any such proposed amendment and an opinion of

counsel as to the legality of such proposed amendment. The General Partners shall include in any such submission their recommendation as to the proposed amendment. Each such submission shall bear a notice to the effect that the proposed amendment shall become effective upon the receipt of the affirmative vote of Limited Partners holding a majority of the outstanding Units. The General Partners shall seek the written vote of the Limited Partners on the proposed amendment by return mail following the submission, or shall call a meeting to discuss the proposed amendment. Such amendment shall be adopted or rejected at the meeting by the same affirmative vote required above. Limited Partners may vote in person or by proxy at any such meeting. Notwithstanding the above, no amendment shall:

- (1) Modify the liability of either the General Partners or the Limited Partners
- (2) Terminate the Partnership except as provided in this Agreement
- (3) In any way modify the obligations of the Partnership under the Mortgage.

20.2 Notwithstanding the above, the General Partners may amend this agreement to add or delete qualified Limited Partners by exercising their Power of Attorney for each Limited Partner as granted in Section 21.

## 21. Power of Attorney:

21.1 Each Limited Partner, by becoming a Limited Partner, constitutes and appoints the General Partners with full power of substitution his true and lawful attorneys for him and in his name, place and stead and for his use and benefits of said Limited Partner, to execute, sign, acknowledge, file, swear to, verify, deliver, record and publish:

21.1.1 The original Articles of Limited Partnership and all amendments thereto required by law, FmHA, any other regulatory agency with lawful jurisdiction, or these Articles;

21.1.2 All instruments which effect a change, modification or amendment of this agreement by adding or substituting Limited Partners or dissolving or continuing the Partnership itself.

21.2 To represent each and every Limited Partner before any office of the Internal Revenue Service with respect to any Internal Revenue Tax matter that in any way related to this Partnership or any interest therein. Such General Partner shall have authority to receive confidential information and full power on behalf of each and every Limited Partner to execute agreements extending the statutory period for assessment or collection of taxes and to delegate authority or to substitute another representative.

21.3 The power hereby conferred shall continue from the date of the subscription of the Limited Partner until said Limited Partner shall cease to be a Limited Partner, or notifies the General Partners in writing as set forth in Section 22.2 that this power of attorney is revoked. If revoked, the Limited Partners shall sign legally required amended articles immediately upon presentment by the General Partners.

- 21.4 The Certificate of Limited Partnership and all amendments thereto;
- 21.5 Any other instrument which may be required to be filed by the Partnership under the laws of any state or any governmental agency or which the General Partners deem it advisable to file; and
- 21.6 Any documents which may be required to effect the continuation of the Partnership, the admission or substitution of a Limited Partner, or the dissolution and termination of the Partnership, provided such continuation, admission, substitution or dissolution and termination are in accordance with the terms of the Articles.
- 21.7 The foregoing grant of authority:
- a. Is a Special Power of Attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of the undersigned;
  - b. May be exercised by the General Partners for each Limited Partner by the single signature of any General Partner or by listing all of the Limited Partners executing any instrument with the single signature of a General Partner as attorney-in-fact for all of them; and
  - c. Shall survive the delivery of an assignment by a Limited Partner of the whole or any portion of his interest.

This Special Power of Attorney does not supersede any part of the Articles, nor is it to be used to deprive the undersigned Limited Partner of any of his rights. It is intended only to provide a simplified system for execution of documents.

**22. Miscellaneous:**

- 22.1 This Agreement shall be binding upon and inure to the benefit of all of the parties and their estates, heirs, legatees, successors and assigns.
- 22.2 All notices provided for by the Articles shall be directed to the parties at the addresses herein set forth and to the Partnership at its principal office by certified mail, or to such other address as shall be notified to the Partnership in writing.
- 22.3 Any dispute under or concerning the Articles shall, at the option of any disputant, be submitted to arbitration in accordance with the rules of the American Arbitration Association. In any such dispute, whether or not submitted to arbitration or a court of proper jurisdiction, the prevailing party shall recover from the other party his reasonable attorney's fees and related expenses as approved by the arbitrator or court.
- 22.4 This Agreement and the right of the parties hereunder shall be interpreted in accordance with the laws of the State of Oregon.

- 22.5 This Agreement may be executed in several counterparts and all, thus executed, shall constitute one agreement binding on all the parties, whether or not all the parties are signatory to the same counterpart.
- 22.6 The headings of the Sections of these Articles are inserted for convenience only and shall not be deemed to be a part of this Agreement.
- 22.7 In the event that any provision of these Articles shall be held to be invalid or unenforceable, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement or of such provisions under different circumstances.
- 22.8 Each of the parties shall execute, acknowledge and deliver instruments necessary to carry out the purposes of the Articles, and to sign any amendment to the Articles whenever the signing of such certificate or amendment is requested of them by a General Partner, and they agree to do such other acts as may be required to comply with the law for the valid formation and existence of a Limited Partnership. Upon the failure or refusal of any Partner to so sign or do such other act, the General Partners shall be deemed the duly constituted agent of the Partner failing or refusing to sign or act, to sign such amendment or to do such other act on his behalf, and the acts of such agent shall be deemed ratified, approved, and confirmed by the Partner for whom he is acting.
- 22.9 This Agreement represents the entire agreement by and between the parties hereto and no other agreements or understandings, written or oral, exist to modify any provision contained herein.
- 22.10 The Partners agree that the Partnership properties are not and will not be suitable for partition. Accordingly, each of the Partners hereby irrevocably waives any and all rights that he may have to maintain any action for partition of any of the Partnership property.
- 22.11 In the event a Limited Partner is a trust (with or without disclosed beneficiaries), partnership, limited partnership, joint venture, corporation or any entity other than a natural person, the Partnership and the General Partners shall (1) not be required to determine the authority of the person signing this Agreement or any amendment hereto, to make any commitment or undertaking on behalf of such entity, not to determine any fact or circumstance bearing upon the existence of this authority; (2) not be required to see to the application or distribution of revenues or proceeds paid or credited to the person signing the Agreement or any amendment hereto on behalf of such entity; (3) be entitled to rely upon the authority of the person signing this Agreement or any amendment hereto with respect to the voting of the interests of such entity and with respect to the giving of consent on behalf of such entity in connection with any matter for which consent is permissible or required hereunder; and (4) be entitled to rely upon the authority of any General Partner, joint venturer, co- or successor trustee, or president, vice president or other authorized officer (as the case may be) of any such entity, the same as though such person were the person originally executing this Agreement or any amendment hereto on behalf of such entity.

22.12 No person dealing with the General Partners shall be required to determine their authority to make any commitment or undertaking on behalf of the Partnership, nor to determine any fact or circumstance bearing upon the existence of their authority. In addition, no purchaser of any asset owned by the Partnership shall be required to determine the sole and exclusive authority of the General Partners to sign and deliver on behalf of the Partnership any such instrument of transfer, or to see the application or distribution of revenues or proceeds paid or credited in connection therewith, unless such purchasers shall have received written notice from the Partnership affecting the same.

DATED AND EXECUTED: August 25, 1981

We, the undersigned, declare under the penalties of perjury that we have examined this Certificate of Articles of Limited Partnership and to the best of our knowledge and belief, it is true, correct and complete.

GENERAL PARTNERS:

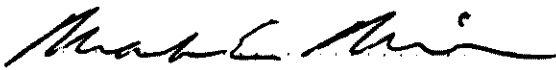
ADDRESS:

PERCENTAGE  
OF GENERAL  
PARTNERSHIP  
INTERESTS HELD:

  
J. M. Miller, as an individual

161 High Street S.E.  
P.O. Box 230  
Salem, Oregon 97308

100%, divided among  
the General Partners  
as they agree by  
separate agreement.

  
Mark E. Miller, an individual

161 High Street, S.E.  
P.O. Box 230  
Salem, Oregon 97308

LIMITED PARTNERS:

ADDRESS:

NO. OF  
UNITS HELD/  
PERCENTAGE  
OF LIMITED  
PARTNERSHIP  
INTERESTS:

  
Ardis Whittaker

161 High Street  
P.O. Box 230  
Salem, Oregon 97308

1/100 / .1 of 1%

Legal Description

HOPE - PONDEROSA OREG. LTD.

Exhibit A

Hope Arms

A portion of the Northwest quarter of Section 7, Township 3 North, Range 1 East, Boise-Meridian, Ada County, State of Idaho, more particularly described as follows:

Commencing at the center of Section 7 in Township 3 North, Range 1 East, of the Boise-Meridian; thence North on the East line of the East half of the Northwest quarter of Section 7, a distance of 1,093.00 feet to a point; thence South 89° 01' 30" West a distance of 762.00 feet to the POINT OF BEGINNING; thence South 89° 01' 30" West a distance of 229.20 feet; thence North a distance of 206.12 feet; thence North 89° 01' 30" East a distance of 229.20 feet; thence South a distance of 206.12 feet to the POINT OF BEGINNING.

EXCEPT Ditch and Road rights-of-way.

ALSO EXCEPT all mineral rights, water rights, claims or Title to minerals or water.

Ponderosa Arms

Commencing at the Northwest corner of the Southeast 1/4 Northeast 1/4 of Section 9, Township 18 North, Range 3 East, Boise Meridian, thence East 690 feet; thence South 837 5/8 feet to the REAL POINT OF BEGINNING; Thence South 245 1/4 feet; thence East 100 feet; thence South 50 feet; thence East 490 1/2 feet; thence North 295 1/4 feet; thence West 590 1/2 feet to the REAL POINT OF BEGINNING.

14.2 hereof. Upon the death of a Limited Partner, his lawful successor in interest may become a Limited Partner, subject to all of the terms and conditions of this Agreement, providing consent of the General Partners is first obtained, as herein provided.

The death of any Limited Partner shall not have the effect of terminating or dissolving this Partnership. Upon the death of a Limited Partner, his or her estate, devisee and/or heirs shall succeed to his interests and shall be bound by the terms and provisions of this Agreement; however, in the event that the interests of the deceased do not pass to a single trust or pass to more than one heir or devisee, or, upon termination of any such trust, are distributed to more than one beneficiary (the "Distributees") shall, within ninety (90) days after distribution by the Estate of the deceased Limited Partner or by the trustee under any trust established by the deceased Limited Partner, execute and deliver to the General Partners a written instrument (including a power of attorney) appointing one person, firm or corporation as and to be the agent of and for said Distributees. Such agent shall be responsible for collecting, receiving and making all payments and contributions required hereunder, shall vote all interests of the Distributees, and shall perform all other obligations of such Distributees performable by reason of or arising from their interests. Such payments shall be deemed to have been validly made to such Distributees by paying the same to such duly designated agent. In the event that said Distributees for any reason fail to designate such agent in writing in the manner and within the time prescribed and continue to cure such default after ten (10) days' written notice from the General Partners to correct the same, the General Partners shall have the right, at their election, to withhold all sums that are payable with respect to the interests of the Distributees until such time as the Partnership is dissolved or such default is cured. So long as such default exists with respect to any interests, such interests may not be voted on any matter on which the vote or consent of Limited Partners or holders of interests is required or permitted herein. Whenever interests may not be voted on a transaction, the percentage required herein for approval shall only include those Limited Partners permitted to vote. Upon the death of a Limited Partner's spouse having a community property interest in the interests of the Limited Partner, the foregoing provisions of this Section 17.2, shall apply to all of the deceased spouse's community property interests in the surviving spouse's interests in the Partnership which do not pass to the surviving spouse by will or through operation of law, and such provisions shall be applied to such interests as though the Limited Partner had owned such interests and had died on the date of his spouse's death, leaving such interests to the actual recipients thereof.

17.3 Although a Limited Partner may assign his rights to Profits, Losses, and Net Cash Distributions, with the prior written consent of FmHA, an assignee cannot become a Limited Partner without the consent of a General Partner, the granting or denial of which is in the absolute discretion of the General Partners and the FmHA. The General Partners shall not give their consent to any such transfer unless and until they have received an opinion of counsel satisfactory to the General Partners that the proposed transfer will not terminate the Partnership for Federal income tax purposes nor cause a loss of any exemption from registration under the Securities and Exchange Act. A \$100 transfer fee



in addition to actual costs incurred by the General Partners in connection with such a transfer shall be charged to the Limited Partner transferring his interests.

- 17.4 In the event that a transferee of a Partnership Interest becomes a Limited Partner, the items of gross income, deduction and credit pertaining to the transferred interest for the fiscal year of the transfer shall, unless otherwise agreed by the transferor and transferee, be allocated between the transferor and transferee on a pro rata quarterly basis.
- 17.5 Upon the transfer of an interest in the Partnership, the Partnership may elect, pursuant to Section 734 of the Internal Revenue Code of 1954, as amended, to adjust the basis of the Partnership property as allowed by Section 734(b) and 743(b) of said Code. The election shall be filed with the Partnership's Income Tax Return for the first taxable year in which the election applies.
- 17.6 Notwithstanding anything set forth above in this Section 17, no sale or exchange of all or a part of an interest in this Partnership shall occur if it would cause the termination of the Partnership for Federal income tax purposes, unless all the Partners agree in writing to such sale or exchange.
18. Admission of Additional Limited Partners: The General Partners may not admit to the Partnership additional Limited Partners contributing more capital than contemplated by this Agreement without the consent of Limited Partners holding a majority of the outstanding Units.
19. Representations and Warranties by Limited Partners: Each Limited Partner hereby represents and warrants to the Partnership and the General Partners as follows:
- 19.1 He is purchasing his Limited Partnership interest for his personal investment purposes only and not with a view toward distribution or sale of all or a portion of such interest.
- 19.2 He will not sell or offer for sale his interest in the Partnership without complying with the provisions of these Articles pertaining to transferability. He is aware that the Articles impose substantial restrictions on the transferability of his interest in the Partnership and recognizes that there is no ready public market for such interest and that it may not be possible to readily liquidate his investment in the Partnership.
- 19.3 He is financially capable of and intends to retain ownership of his Units during the entire term of the Partnership or for as long as he is physically capable of so doing.
- 19.4 Although it is expected that he will presently qualify for certain tax benefits offered by the Internal Revenue Code now in effect, as amended by the Tax Reform Act of 1969, because of the principal asset and business of the Partnership, he recognizes that there is no guarantee that the Internal Revenue Code or the regulations promulgated thereunder will not be amended in such a manner as to wholly or partially deprive him of any tax benefit he might presently receive under the law now in effect.

19.5 He has made a careful investigation of the materials (particularly the Offering Document and these Articles) submitted to him by the General Partners and has relied on his own investigation thereof and not on any oral representations of the General Partners, or anyone acting on their behalf, in making his decision to invest. He has not been denied any information with respect to the Partnership or the Project which he believed to be material to his decision to invest.

19.6 **Securities Law Compliance.** The Limited Partners hereby acknowledge that the offering of Limited Partnership Units will not be registered under the Securities Act of 1933 and is being made in reliance upon the availability of an exemption from that Act. The exemption claimed is the "private offering" exemption pursuant to Section 4(2) of the Securities Act of 1933 and Rule 146 promulgated thereunder.

Each Limited Partner, therefore, represents and warrants that he has read and understands the "Investor Suitability Standards" section of the Private Placement Memorandum dated September 14, 1981 of HOPE - PONDEROSA OREG. LTD. Each Limited Partner also represents and warrants the following:

- a. That he can bear a total loss of his investment in the Partnership, as well as the adverse tax consequences of recapture of tax deductions
- b. That he anticipates that in 1981 through 1984 at least some of his income will be subject to Federal income tax at the rate of forty percent 40% (46% for corporations)
- c. That he has a net worth (exclusive of home, furnishings and automobiles) of at least \$100,000 or a net worth of at least \$250,000 exclusive of home, automobile and furnishings in which case he may disregard the requirement of subpart (b) above
- d. That he and his offerree representative (if any) have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the investment in the Partnership
- e. That his participation in programs that offer tax incentives is reasonable in relation to his income and net worth
- f. That he is acquiring the Partnership interest for long-term investment and not with a view toward resale, fractionalization, division or distribution thereof
- g. That he has received and read a copy of the Private Placement Memorandum, has relied solely and completely on the Memorandum in making his decision to purchase Limited Partnership Units in the Partnership and has not relied on any representations not contained in the Private Placement Memorandum in making his investment decision, and

- h. That he has read, understands, completed and executed the Partnership Subscription Agreement and the Partnership Offerree Representative's Questionnaire (if applicable).

The General Partners may reject the application of any prospective investor who fails to comply with any of the provisions of this Article or for any other reason.

## 20. Amendments:

20.1 Amendments to the Articles may be proposed by the General Partners or by Limited Partners holding 10% of the outstanding Units. Following such proposal, the General Partners shall submit to the Limited Partners a verbatim statement of any such proposed amendment and an opinion of counsel as to the legality of such proposed amendment. The General Partners shall include in any such submission their recommendation as to the proposed amendment. Each such submission shall bear a notice to the effect that the proposed amendment shall become effective upon the receipt of the affirmative vote of Limited Partners holding a majority of the outstanding Units. The General Partners shall seek the written vote of the Limited Partners on the proposed amendment by return mail following the submission, or shall call a meeting to discuss the proposed amendment. Such amendment shall be adopted or rejected at the meeting by the same affirmative vote required above. Limited Partners may vote in person or by proxy at any such meeting. Notwithstanding the above, no amendment shall:

- (1) Modify the liability of either the General Partners or the Limited Partners
- (2) Terminate the Partnership except as provided in this Agreement
- (3) In any way modify the obligations of the Partnership under the Mortgage.

20.2 Notwithstanding the above, the General Partners may amend this agreement to add or delete qualified Limited Partners by exercising their Power of Attorney for each Limited Partner as granted in Section 21.

## 21. Power of Attorney:

21.1 Each Limited Partner, by becoming a Limited Partner, constitutes and appoints the General Partners with full power of substitution his true and lawful attorneys for him and in his name, place and stead and for his use and benefits of said Limited Partner, to execute, sign, acknowledge, file, swear to, verify, deliver, record and publish:

- 21.1.1 The original Articles of Limited Partnership and all amendments thereto required by law, FmHA, any other regulatory agency with lawful jurisdiction, or these Articles;
- 21.1.2 All instruments which effect a change, modification or amendment of this agreement by adding or substituting Limited Partners or dissolving or continuing the Partnership itself.

- 21.2 To represent each and every Limited Partner before any office of the Internal Revenue Service with respect to any Internal Revenue Tax matter that in any way related to this Partnership or any interest therein. Such General Partner shall have authority to receive confidential information and full power on behalf of each and every Limited Partner to execute agreements extending the statutory period for assessment or collection of taxes and to delegate authority or to substitute another representative.
- 21.3 The power hereby conferred shall continue from the date of the subscription of the Limited Partner until said Limited Partner shall cease to be a Limited Partner, or notifies the General Partners in writing as set forth in Section 22.2 that this power of attorney is revoked. If revoked, the Limited Partners shall sign legally required amended articles immediately upon presentment by the General Partners.
- 21.4 The Certificate of Limited Partnership and all amendments thereto;
- 21.5 Any other instrument which may be required to be filed by the Partnership under the laws of any state or any governmental agency or which the General Partners deem it advisable to file; and
- 21.6 Any documents which may be required to effect the continuation of the Partnership, the admission or substitution of a Limited Partner, or the dissolution and termination of the Partnership, provided such continuation, admission, substitution or dissolution and termination are in accordance with the terms of the Articles.
- 21.7 The foregoing grant of authority:
- a. Is a Special Power of Attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of the undersigned;
  - b. May be exercised by the General Partners for each Limited Partner by the single signature of any General Partner or by listing all of the Limited Partners executing any instrument with the single signature of a General Partner as attorney-in-fact for all of them; and
  - c. Shall survive the delivery of an assignment by a Limited Partner of the whole or any portion of his interest.

This Special Power of Attorney does not supersede any part of the Articles, nor is it to be used to deprive the undersigned Limited Partner of any of his rights. It is intended only to provide a simplified system for execution of documents.

## 22. Miscellaneous:

- 22.1 This Agreement shall be binding upon and inure to the benefit of all of the parties and their estates, heirs, legatees, successors and assigns.

- 22.2 All notices provided for by the Articles shall be directed to the parties at the addresses herein set forth and to the Partnership at its principal office by certified mail, or to such other address as shall be notified to the Partnership in writing.
- 22.3 Any dispute under or concerning the Articles shall, at the option of any disputant, be submitted to arbitration in accordance with the rules of the American Arbitration Association. In any such dispute, whether or not submitted to arbitration or a court of proper jurisdiction, the prevailing party shall recover from the other party his reasonable attorney's fees and related expenses as approved by the arbitrator or court.
- 22.4 This Agreement and the right of the parties hereunder shall be interpreted in accordance with the laws of the State of Oregon.
- 22.5 This Agreement may be executed in several counterparts and all, thus executed, shall constitute one agreement binding on all the parties, whether or not all the parties are signatory to the same counterpart.
- 22.6 The headings of the Sections of these Articles are inserted for convenience only and shall not be deemed to be a part of this Agreement.
- 22.7 In the event that any provision of these Articles shall be held to be invalid or unenforceable, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement or of such provisions under different circumstances.
- 22.8 Each of the parties shall execute, acknowledge and deliver instruments necessary to carry out the purposes of the Articles, and to sign any amendment to the Articles whenever the signing of such certificate or amendment is requested of them by a General Partner, and they agree to do such other acts as may be required to comply with the law for the valid formation and existence of a Limited Partnership. Upon the failure or refusal of any Partner to so sign or do such other act, the General Partners shall be deemed the duly constituted agent of the Partner failing or refusing to sign or act, to sign such amendment or to do such other act on his behalf, and the acts of such agent shall be deemed ratified, approved, and confirmed by the Partner for whom he is acting.
- 22.9 This Agreement represents the entire agreement by and between the parties hereto and no other agreements or understandings, written or oral, exist to modify any provision contained herein.
- 22.10 The Partners agree that the Partnership properties are not and will not be suitable for partition. Accordingly, each of the Partners hereby irrevocably waives any and all rights that he may have to maintain any action for partition of any of the Partnership property.
- 22.11 In the event a Limited Partner is a trust (with or without disclosed beneficiaries), partnership, limited partnership, joint venture, corporation or any entity other than a natural person, the Partnership and the General Partners shall (1) not be required to determine the authority of the person signing this Agreement or any amendment hereto, to make any

commitment or undertaking on behalf of such entity, not to determine any fact or circumstance bearing upon the existence of this authority; (2) not be required to see to the application or distribution of revenues or proceeds paid or credited to the person signing the Agreement or any amendment hereto on behalf of such entity; (3) be entitled to rely upon the authority of the person signing this Agreement or any amendment hereto with respect to the voting of the interests of such entity and with respect to the giving of consent on behalf of such entity in connection with any matter for which consent is permissible or required hereunder; and (4) be entitled to rely upon the authority of any General Partner, joint venturer, co- or successor trustee, or president, vice president or other authorized officer (as the case may be) of any such entity, the same as though such person were the person originally executing this Agreement or any amendment hereto on behalf of such entity.

22.12 No person dealing with the General Partners shall be required to determine their authority to make any commitment or undertaking on behalf of the Partnership, nor to determine any fact or circumstance bearing upon the existence of their authority. In addition, no purchaser of any asset owned by the Partnership shall be required to determine the sole and exclusive authority of the General Partners to sign and deliver on behalf of the Partnership any such instrument of transfer, or to see the application or distribution of revenues or proceeds paid or credited in connection therewith, unless such purchasers shall have received written notice from the Partnership affecting the same.

DATED AND EXECUTED: September 11, 1981

We, the undersigned, declare under the penalties of perjury that we have examined this Amended and Restated Certificate of Articles of Limited Partnership and to the best of our knowledge and belief, it is true, correct and complete.

GENERAL PARTNERS:

ADDRESS:

PERCENTAGE  
OF GENERAL  
PARTNERSHIP  
INTERESTS HELD:

  
J. Miller, as an individual

161 High Street S.E.  
P.O. Box 230  
Salem, Oregon 97308

100%, divided among  
the General Partners  
as they agree by  
separate agreement.

  
Mark E. Miller, as an individual

161 High Street, S.E.  
P.O. Box 230  
Salem, Oregon 97308

LIMITED PARTNERS:

ADDRESS:

NO. OF  
UNITS HELD/  
PERCENTAGE  
OF LIMITED  
PARTNERSHIP  
INTERESTS:

*Arlis Whittaker*  
Arlis Whittaker, initial Limited Partner

161 High Street  
P.O. Box 230  
Salem, Oregon 97308

1/100 / .0476%

*Karen K. Gates*  
Karen K. Gates, additional initial  
Limited Partner

161 High Street  
P.O. Box 230  
Salem, Oregon 97308

1 / 4.76%

Legal Description

HOPE - PONDEROSA OREG. LTD.

Exhibit A

Hope Arms

A tract of land in the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, Township 3 North, Range 1 West, Boise-Meridian, Ada County, Idaho, more particularly described as follows:

Commencing at a steel pin with aluminum cap at the Southeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of said Section 13, which point bears South 1327.34 feet from the Northeast corner of said Section 13, thence North along the East line of said Section 13, 358.30 feet to the real point of beginning, thence continue North 35.00 feet to a point, thence West 180.00 feet to a steel pin, thence North 269.29 feet to a steel pin on the North boundary line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South  $89^{\circ} 39' 19''$  West along said North line 483.21 feet to a steel pin at the Northwest corner of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South  $0^{\circ} 04' 27''$  East along the West boundary line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, 627.47 feet to a steel pin, thence North  $89^{\circ} 41' 21''$  East 274.40 feet to a steel pin, thence North 244.25 feet to a steel pin, thence South  $89^{\circ} 41'$  East 208.00 feet to a steel pin, thence North 81.50 feet to a steel pin, thence East 180.00 feet to the real point of beginning

Also

A tract of land in the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, Township 3 North, Range 1 West, Boise-Meridian, Ada County, Idaho, more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 13, which point bears, South 1,327.34 feet from the Northeast corner of said Section 13, thence North along the East line of said Section 13, 663.67 feet to the Northeast corner of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South  $89^{\circ} 39' 19''$  West along the Northerly line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter 180.00 feet to a steel pin, thence South 269.29 feet to a steel pin, thence East 180.00 feet to a point on the East line of Section 13, thence South along the East line of Section 13, 35.00 feet to a point, thence West 180.00 feet to a steel pin, thence South 81.50 feet to a steel pin, thence South  $89^{\circ} 41'$  East 155.00 feet to a point, thence South Parallel to the East line of Section 13, 240.00 feet to a point, thence North  $89^{\circ} 41'$  West 363.00 feet to a point, thence



South 4.25 feet to a point, thence South  $89^{\circ} 41' 21''$  West 274.40 feet to a point on the West line of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence South  $0^{\circ} 04' 27''$  East along the said West line 35.80 feet to a steel pin, at the Southwest corner of said Southeast Quarter of the Northeast Quarter of the Northeast Quarter, thence

North  $89^{\circ} 41' 21''$  East along the South line of said Section 13, 662.35 feet to the real point of beginning.

Except ditch and road rights of way.

#### Ponderosa Arms

Commencing at the Northwest corner of the Southeast  $1/4$  Northeast  $1/4$  of Section 9, Township 18 North, Range 3 East, Boise Meridian, thence East 690 feet; thence South  $837 \frac{5}{8}$  feet to the REAL POINT OF BEGINNING; Thence South  $245 \frac{1}{4}$  feet; thence East 100 feet; thence South 50 feet; thence East  $490 \frac{1}{2}$  feet; thence North  $295 \frac{1}{4}$  feet; thence West  $590 \frac{1}{2}$  feet to the REAL POINT OF BEGINNING.