

SEP 30 6 52 AM '75  
SECRETARY OF STATE

AMENDED AND RESTATED  
CERTIFICATE AND  
AGREEMENT OF LIMITED PARTNERSHIP  
OF  
HARBORVIEW ASSOCIATES

General Partners:

Blair Reiley  
Louis Buchsieb  
R. S. Palmer

## TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
ARTICLE I. NAME AND BUSINESS.....	1
1.1 Name.....	1
1.2 Place of Business.....	1
1.3 General Partners, Initial Limited Partners, and Limited Partner.....	1
A. Names and Places of Residence of the General Partners.....	1
B. Name and Address of the Withdrawing Initial Limited Partners.....	2
C. Name and Principal Place of Business of the Limited Partner.....	2
1.4 Purpose.....	2
1.5 Term.....	2
1.6 Time of Admission.....	2
1.7 Partnership Asset Income Tax Basis.....	3
ARTICLE II. DEFINITIONS.....	4
2.1 Accountants.....	4
2.2 Affiliate.....	4
2.3 Agreement.....	4
2.4 Auditors.....	4
2.5 Capital Contribution or Cash Contribution.....	4
2.6 Certificate.....	4
2.7 Code.....	4
2.8 Completion of Construction.....	4
2.9 Consent.....	4
2.10 Distributions.....	4
2.11 Event of Bankruptcy.....	4
2.12 Event of Dissolution.....	5
2.13 FmHA.....	5
2.14 General Partners.....	5
2.15 Independent Certified Public Accountants.....	5
2.16 Initial Limited Partners.....	5
2.17 Limited Partner.....	5
2.18 Mortgage.....	5
2.19 Mortgage Note.....	5
2.20 Net Cash Flow.....	5
2.21 Net Cash Proceeds.....	6
2.22 Net Profits or Net Losses.....	6
2.23 Net Profits or Net Losses From Sale.....	6
2.24 Operating Deficit.....	6
2.25 Operation and Maintenance Reserve.....	6
2.26 Partner.....	7

<u>Title</u>	<u>Page</u>
2.27 Partnership.....	7
2.28 Partnership Manager.....	7
2.29 Person.....	7
2.30 Project.....	7
2.31 Property.....	7
2.32 Refinancing.....	7
2.33 Rental Supervisor.....	7
2.34 Sale.....	7
2.35 Special Limited Partner.....	7
2.36 Substitute Limited Partner.....	7
2.37 Units.....	8
ARTICLE III. CAPITAL.....	8
3.1 Capital Contributions of the General Partners.....	8
A. Capital Contributions.....	8
B. Return of Operation and Maintenance Reserve..	8
3.2 Capital Contributions of the Limited Partner.....	8
A. Capital Contributions.....	8
B. Promissory Note.....	9
C. Conditions to Capital Contributions.....	9
D. Prepayment.....	9
E. Dissolution.....	9
F. Units of Limited Partnership Interest.....	9
G. Default of Limited Partner.....	10
(1) Suspension of Benefits.....	10
(2) Collection.....	10
(3) Sale of Limited Partnership Interests in the Partnership.....	10
3.3 Capital Account.....	11
3.4 Interest.....	11
ARTICLE IV. ALLOCATION OF PROFIT AND LOSS: DISTRIBUTIONS....	11
4.1 Allocation of Net Profits and Net Losses.....	11
4.2 Distribution of Net Cash Flow.....	12
4.3 Allocation of Net Profits on Sale.....	12
4.4 Allocation of Net Losses on Sale.....	13
4.5 Distribution of Net Cash Proceeds from a Sale or Refinancing.....	13
4.6 Consent to Allocations and Distributions.....	14
4.7 Allocations and Distributions Between General Partners.....	14
ARTICLE V. REPURCHASE OF LIMITED PARTNER'S INTEREST.....	14
5.1 Right to Require Repurchase.....	14
5.2 Purchase Price.....	15

<u>Title</u>	<u>Page</u>
5.3 Guaranty of the General Partners.....	15
5.4 Amendment of Agreement.....	15
5.5 Notice.....	15
ARTICLE VI. RIGHTS, POWERS, AND DUTIES OF GENERAL PARTNERS..	16
6.1 Management.....	16
6.2 Powers.....	16
6.3 Restrictions on Authority of General Partners.....	17
6.4 Other Activities.....	18
6.5 Distributions.....	28
6.6 Limitation on Liability; Indemnification.....	19
A. Indemnification of Limited Partner.....	19
B. Indemnification of General Partners.....	19
6.7 Excess Construction/Development Costs.....	19
6.8 Certain Fees.....	19
A. Partnership Management Fee.....	20
B. Operating Deficit Guarantee Fee.....	21
C. Limited Partnership Interest Repurchase Fee..	22
D. Organizational Fee.....	22
E. Tax Treatment.....	22
6.9 Representations and Warranties.....	22
6.10 Default of General Partner.....	26
A. Cure and Offset.....	26
B. Escrow.....	27
C. Discounting of Limited Partner's Deferred Capital Contributions and Payments under Purchase Agreement.....	27
D. Notice.....	28
6.11 Managing General Partner.....	28
A. Appointment Process.....	28
B. Appointment of Initial Managing Partner.....	28
C. Vacancies.....	28
6.12 Property Manager.....	29
ARTICLE VII. RIGHTS AND LIMITATIONS OF LIMITED PARTNERS.....	30
7.1 Limited Assessment.....	30
7.2 Return of Prior Distribution.....	30
7.3 No Right to Manage.....	30
7.4 Priority.....	30
7.5 Death, Disability, etc., of a Limited Partner.....	30
7.6 Meetings.....	30
7.7 Proposal and Adoption of Amendments Generally.....	31
7.8 Limitations on Amendments.....	32
7.9 Amendments on Admission or Withdrawal of Partners.	32

<u>Title</u>	<u>Page</u>
ARTICLE VIII. TRANSFER BY LIMITED PARTNERS.....	33
8.1 Compliance with Securities Law.....	33
8.2 Transfer.....	34
8.3 Admission of Substitute Limited Partner.....	34
8.4 Status of Transferee.....	34
8.5 Death, Bankruptcy, Incompetency, etc., of a Partner.....	35
ARTICLE IX. CHANGES AMONG GENERAL PARTNERS.....	35
9.1 Removal For Cause.....	35
9.2 Withdrawal.....	37
9.3 Transfer of Interests.....	37
9.4 Continuing Liability.....	37
9.5 Admission of Successor or Additional General Partner.....	38
9.6 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetency of General Partners..	38
9.7 Continuation of the Partnership.....	39
ARTICLE X. ACCOUNTING.....	39
10.1 Books and Records.....	39
10.2 Books of Account.....	39
10.3 Accountants and Auditors.....	40
10.4 Special Basis Adjustments.....	40
10.5 Fiscal Year.....	40
10.6 Tax Returns and Related Matters.....	40
10.7 Reports.....	40
ARTICLE XI. TERMINATION AND DISSOLUTION.....	42
11.1 Dissolution.....	42
11.2 Distribution of Assets.....	42
ARTICLE XII. FmHA REGULATIONS.....	43
FmHA Regulations.....	43
ARTICLE XIII. MISCELLANEOUS.....	43
13.1 Notices.....	43
13.2 Entire Agreement.....	44
13.3 Headings.....	44
13.4 Certain Provisions.....	44
13.5 Saving Clause.....	44
13.6 Pronouns and Plurals.....	44

<u>Title</u>	<u>Page</u>
13.7 Binding Agreement.....	44
13.8 Counterparts.....	44
13.9 Governing Law.....	44
13.10 Initial Registered Agent and Registered Office....	45
13.11 Attorneys' Fees.....	45

#### EXHIBITS

1.7.1 Purchase Agreement.....	47
2.33 Real Property Description.....	51
3.2.1 Form of Promissory Note.....	52

AMENDED AND RESTATED CERTIFICATE AND AGREEMENT  
OF LIMITED PARTNERSHIP OF  
HARBORVIEW ASSOCIATES, AN IDAHO LIMITED PARTNERSHIP

THIS AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP is entered into as of the 27 day of Sept, 1985, by and among BLAIR REILEY, LOUIS BUCHSIEB, and R. S. PALMER, and HARBOR VISTA ASSOCIATES LIMITED PARTNERSHIP, an Oregon limited partnership.

W I T N E S S E T H:

WHEREAS, the parties hereto, except those withdrawing, desire to continue a limited partnership originally formed on January 7, 1983, to construct, own and operate a 32-Unit FmHA \$ 515 Rural Rental Housing Project in Anacortes, Washington, to adjust their relative rights and obligations with respect to the Partnership (as defined in Section 2.27) and provide for the contribution of their capital;

NOW, THEREFORE, in consideration of the premises and mutual agreements herein set forth and for other good and valuable consideration, the parties hereby agree to the continuation of the Partnership as a limited partnership pursuant to the Idaho Limited Partnership Act, upon the following terms and conditions, and to the Amended and Restated Certificate and Agreement of Limited Partnership Agreement dated effective January 1, 1985.

ARTICLE I

NAME AND BUSINESS

1.1 Name. The name of the Partnership continues to be Harborview Associates.

1.2 Place of Business. The principal place of business of the Partnership is located at 191 River Street, Ketchum, Idaho 83340, or at such other location as the General Partners may hereafter designate upon notice to the Limited Partner.

1.3 General Partners, Initial Limited Partners, and Limited Partner.

A. The names and places of residence of the General Partners are as follows:

Blair Reiley  
P.O. Box 360  
Sun Valley, Idaho 83353

Louis Buchsieb  
191 River Street  
Ketchum, Idaho 83340

R. S. Palmer  
191 River Street  
Ketchum, Idaho 83340

B. The names and addresses of the withdrawing Initial Limited Partners are:

Blair Reiley  
P.O. Box 360  
Sun Valley, Idaho 83353

Louis Buchsieb  
191 River Street  
Ketchum, Idaho 83340

R. S. Palmer  
191 River Street  
Ketchum, Idaho 83340

C. The name and principal place of business of the Limited Partner is as follows:

Harbor Vista Associates Limited Partnership  
18323 Lothlorien Way  
Lake Oswego, Oregon 97034

1.4 Purpose. The purpose of the Partnership is to construct, acquire, own, operate, maintain, manage, lease, sell, mortgage, or otherwise dispose of a 32-Unit FmHA § 515 Rural Rental Housing Project in Anacortes, Washington, pursuant to the terms hereof.

1.5 Term. The term of the Partnership will continue with the filing of this Agreement in accordance with applicable Idaho law, and shall terminate on June 30, 2037, unless the Partnership is otherwise earlier dissolved and terminated in accordance with the provisions of this Agreement.

1.6 Time of Admission. Each General Partner, Initial Limited Partner, Limited Partner, Substitute Limited Partner, or assignee of general or limited partnership interests shall be deemed to have been admitted as of the first day of the calendar

month during which such Partner is admitted, or the conditions for transfer of limited partnership interests provided for in Article VIII, as the case may be, are satisfied if such admission occurs on or before the fifteenth day of such month, or if such admission occurs after the fifteenth day of such month, on the sixteenth day of the calendar month during which such Partner is admitted, or the conditions for transfer of limited partnership interests provided for in Article VIII, as the case may be, are satisfied. Upon any such admission of a Partner, the list of Partners described in Section 10.1 shall be updated appropriately.

**1.7 Partnership Asset Income Tax Basis.** The parties hereto acknowledge that upon the date of this Agreement, the Limited Partner has, pursuant to a separate Purchase Agreement of even date, a copy of which being attached hereto as Exhibit 1.7.1 and incorporated herein by this reference, acquired all of the limited partnership interests of the Initial Limited Partners for a purchase price of \$110,750. In addition, and notwithstanding any other provision of this Agreement, the Limited Partner shall be deemed to have an initial capital account of \$110,750, which shall be increased by any Capital Contributions made by such Limited Partner pursuant to Section 3.2 of this Agreement or otherwise. The Partners acknowledge and agree that such transactions will affect a dissolution of the Partnership under Section 708 of the Code, but will not affect a dissolution of the Partnership under Idaho law. In connection with such dissolution for tax purposes, the parties hereby agree that the resulting basis of the Partnership's assets shall be allocated as follows:

<u>ASSET</u>	<u>BASIS</u>
Land	\$ 140,000
Personal Property	48,000
Real Property	1,125,261
Partnership Management Fees	53,980
Operating Deficit Guarantee Fees	24,000
Organizational Fee	5,000
Limited Partnership Interest	
Repurchase Fee	11,600
FmHA 2% Reserve	29,600
Cash on Hand and Miscellaneous	
Assets	<u>30,400</u>
<b>TOTAL</b>	<b><u>\$1,467,841</u></b>

## ARTICLE II

### DEFINITIONS

2.1 Accountants shall mean Leavitt & Co., of Boise, Idaho, or such other firm of independent accountants as may be engaged by the General Partners, with the consent of the Limited Partner, to prepare the Partnership's income tax returns.

2.2 Affiliate shall mean: (i) any Person directly or indirectly controlling, controlled by, or under common control with another Person; (ii) a Person controlling 10% or more of the outstanding voting securities of such other Person; (iii) any officer, director, trustee, or partner of such other Person; and (iv) if such Person is an officer, director, trustee, or partner of such other Person, any company for which such Person acts in any such capacity.

2.3 Agreement shall mean this Amended and Restated Certificate and Agreement of Limited Partnership, as it may be amended from time to time.

2.4 Auditors shall mean Leavitt & Co., of Boise, Idaho, or such other firm of independent certified public accountants as may be engaged by the General Partners, with the consent of the Limited Partner, for the purpose of auditing the books and records of the Partnership and certifying financial reports of the Partnership.

2.5 Capital Contribution or Cash Contributions shall mean the amount of money, or the fair market value of other property, contributed to the capital of the Partnership by a Partner as provided herein.

2.6 Certificate shall mean the Partnership's Certificate of Limited Partnership, or Amended Certificate of Limited Partnership, as may be filed under applicable Idaho law.

2.7 Code shall mean the Internal Revenue Code of 1954, as amended.

2.8 Completion of Construction shall mean that time when all certificates of occupancy or similar approvals necessary for rental and occupancy of the Project have been received from all regulatory agencies having jurisdiction over the Project and which issue such certificates or approvals.

2.9 Consent shall mean written approval.

2.10 Distributions shall mean any money or other property distributed to Partners with respect to their interests in the Partnership, but shall not include any payments to the General Partners or their Affiliates as permitted by Section 6.8.

2.11 Event of Bankruptcy shall mean bankruptcy or any act of bankruptcy (except if the act of bankruptcy is susceptible to cure and is cured within 90 days), reorganization or arrangement under the provisions of Chapters 7, 11, or 13 of the Bankruptcy Reform Act of 1978, as amended (or any successor provisions of such Bankruptcy Act or a like provision of law), assignment for the benefit of creditors, insolvency as determined by court proceedings, or the filing of a petition to accomplish any of the foregoing, or a like event.

2.12 Event of Dissolution shall mean the adjudication of bankruptcy, proceeding in bankruptcy or receivership (including a Chapter 11 proceeding) not dismissed within 90 days after the filing of same, death, insanity, incapacity, adjudication of incompetency, or dissolution of a General Partner.

2.13 FmHA shall mean the Farmer's Home Administration, a rural credit agency of the United States Department of Agriculture.

2.14 General Partners shall mean Blair Reiley, Louis Buchsieb, and R. S. Palmer, or any other Person or Persons who succeed them in that capacity, as provided herein.

2.15 Independent Certified Public Accountants shall have the same meaning as that term is defined in the Securities Act of 1933, as amended.

2.16 Initial Limited Partners shall mean Blair Reiley, Louis Buchsieb, and R. S. Palmer, in their capacity as original limited partners, withdrawing as such pursuant to this Agreement.

2.17 Limited Partner shall mean Harbor Vista Associates Limited Partnership, entering as such pursuant to this Agreement.

2.18 Mortgage shall mean the loan obligation incurred by the Partnership from the FmHA, in the original amount of \$1,182,500, having an approximately outstanding principal balance of \$1,150,321 as of September 1, 1985, and secured by an encumbrance against the Project in favor of the FmHA.

2.19 Mortgage Note shall mean any and all promissory notes secured by the Mortgage.

2.20 Net Cash Flow shall mean cash revenues from the Partnership's activities (excluding Net Cash Proceeds from a Sale

or Refinancing, Capital Contributions, and Partnership borrowings), decreased by: (i) cash expenses; (ii) amortization of Partnership obligations; (iii) capital expenditures to the extent not paid for from borrowings or reserves; and (iv) establishment and maintenance of any and all reserves the General Partners, in the exercise of their reasonable discretion, may deem necessary or appropriate for anticipated obligations, contingencies, capital improvements, replacements, and working capital of the Partnership.

2.21 Net Cash Proceeds shall mean the net cash (including both principal and interest) realized by the Partnership from a Sale or Refinancing, after retirement of the Mortgage, payment of all expenses related to or connected therewith, payment of or provision for all Partnership debts and obligations, and establishment and maintenance of such reserves as the General Partners, in the exercise of their reasonable discretion, may deem necessary or appropriate for anticipated obligations, contingencies, capital improvements, replacements, and working capital of the Partnership.

2.22 Net Profits or Net Losses shall mean the profits or net losses of the Partnership from its activities, other than a Sale, as determined in accordance with the method of accounting used by the Partnership for federal income tax purposes.

2.23 Net Profits or Net Losses From Sale shall mean the net profits or net losses of the Partnership recognized from a Sale, as determined in accordance with the method of accounting used by the Partnership for federal income tax purposes.

2.24 Operating Deficit for any fiscal year shall mean the total amount by which the sum of the Partnership's operating expenses (defined solely as the expenses incurred in connection with the operation and maintenance of the Partnership's Project, including payments to the General Partners or their Affiliates under Section 6.8), debt service on the Mortgage and other Partnership debts, and net additions to reserves required by FmHA, or as may be deemed necessary and appropriate by the General Partners in the exercise of their sole discretion for anticipated obligations, contingencies, capital improvements, replacements, and working capital of the Partnership, for such fiscal year exceeds the sum of the cash revenues received in respect of the Partnership's activities and the deferred Capital Contributions received from the Limited Partner.

2.25 Operation and Maintenance Reserve shall mean the initial 2% operation and maintenance reserve required by FmHA regulations.

2.26 Partner shall mean any General Partner, Initial Limited Partner, Limited Partner, Substitute Limited Partner, Special Limited Partner, or assignee of general or limited partnership interests, as the context so requires.

2.27 Partnership shall mean the limited partnership continued under this Agreement.

2.28 Partnership Manager shall mean the General Partners.

2.29 Person shall mean and include an individual, proprietorship, trust, estate, partnership, joint venture, association, company, corporation, or other entity.

2.30 Project shall mean the Property, together with a 32-Unit FmHA § 515 Rural Rental Housing Project in Anacortes, Washington, and all improvements existing or to be constructed thereon by the Partnership.

2.31 Property shall mean that certain real property located in Anacortes, Washington, as more particularly described on Exhibit 2.33 attached hereto.

2.32 Refinancing shall mean the refinancing or obtaining of any loan secured by the Project.

2.33 Rental Supervisor shall mean the General Partners, or their qualified successors.

2.34 Sale shall mean and include a sale, exchange, condemnation, or similar eminent domain taking, casualty, or other disposition of all or any portion of the Project, whether or not in the ordinary course of business, and the sale of easements, rights of way, or similar interests in the Property, or any other similar items which in accordance with the accounting method used by the Partnership are attributable to capital; provided, however, that "Sale" shall not refer to any transaction to the extent gain or loss is not recognized, or is elected not to be recognized, under any applicable section of the Code.

2.35 Special Limited Partner shall mean a Partner whose interest as a General Partner has terminated pursuant to the terms of Section 9.1.

2.36 Substitute Limited Partner shall mean a Person admitted to the Partnership as a Substitute Limited Partner pursuant to Section 8.3.

2.37 Units shall mean the limited partnership interests of the Limited Partners in this Partnership, of which there are 100 Units.

### ARTICLE III

#### CAPITAL

##### 3.1 Capital Contributions of the General Partners.

A. Capital Contributions. The General Partners shall and hereby do make Capital Contributions of \$98,690 (including the sum of \$25,000 representing the 2% Operation and Maintenance Reserve required by the FmHA, and referred to in Section 2.25 and Section 6.9.A.(19) of this Agreement) to the Partnership, receipt of which is hereby acknowledged. The General Partners shall also make such further contributions of capital to the Partnership from time to time as are necessary to: (i) fund the total amount of any Operating Deficit for 60 months following the date of this Agreement or Completion of Construction (whichever is later), or as may be required by the FmHA; and (ii) otherwise fully perform their obligations hereunder. If the General Partners do not fund such Operating Deficits, or otherwise fail to perform pursuant to the terms hereof, the Limited Partner, in addition to pursuing any remedies available at law or in equity, may elect to fund such Operating Deficits, whereby the provisions of Section 6.10 regarding the General Partners' Default shall apply.

B. Return of Operation and Maintenance Reserve. That portion of the General Partners' Capital Contributions equal to \$25,000 shall be returned to the General Partners without interest out of funds which FmHA designates as a return to the Partnership of its required 2% Operation and Maintenance Reserve.

##### 3.2 Capital Contributions of the Limited Partner.

A. Capital Contributions. Except as otherwise set forth herein, the Limited Partner shall make Capital Contributions totaling \$94,580 to the Partnership, \$37,892 of which is to be paid immediately and receipt of which is hereby acknowledged. Subject to adjustment of the amount or dates of payment as provided herein, the remainder of the Limited Partner's Capital Contributions are due and payable in installments as follows: on the later of March 15 of each year or receipt of the Partnership's federal income tax return and Forms K-1 or other forms acceptable for filing under the Code (after the Limited Partner's review and correction if necessary):

- (1) \$14,918 in 1986;
- (2) \$9,325 in 1987;
- (3) \$10,235 in 1988;
- (4) \$9,850 in 1989; and
- (5) \$12,360 in 1990.

B. Promissory Note. Contemporaneous with the execution of this Agreement and subject to the terms hereof, the Limited Partner shall execute a nonnegotiable promissory note in the form attached hereto as Exhibit 3.2.1 and incorporated herein by this reference, payable to the Partnership and evidencing the obligation to pay the installments described in Sections 3.2.A.(1) through (5), above. The promissory note shall be an asset of the Partnership.

C. Conditions To Capital Contributions. The obligation of the Limited Partner to pay its Capital Contributions, including the payment of each installment thereof, is conditioned upon lack of FmHA's disapproval of the admission of the Limited Partner, or the material terms and modifications contained herein, during the 120 days following the date of this Agreement. Such condition may, however, be waived by the Limited Partner in writing.

D. Prepayment. As provided for in Section 6.10 of this Agreement, the Limited Partner's Capital Contributions may be paid at times earlier than, and in amounts less than, set forth in Section 3.2.A.(1) through (5), above.

E. Dissolution. The Limited Partner's Capital Contributions shall remain the obligation of the Limited Partner if the Partnership shall be dissolved, or the Project shall be sold, prior to the date on which any Capital Contribution installment is due. In such event, Capital Contribution installments yet to be paid by the Limited Partner will be paid to the Partnership as a priority item before the Limited Partner receives any distribution from the proceeds of Sale, or the proceeds in dissolution of the Partnership. Nothing contained in Sections 4.3, 4.4, and 4.5 hereof shall be construed to require additional Capital Contributions by any Limited Partner in order to restore to the Partnership any deficits in its Capital Account (as defined in Section 3.3).

F. Units of Limited Partnership Interests. The Limited Partner shall own and is hereby allocated 100 Units of limited partnership interests.

G. Default of Limited Partner. Upon the occurrence of a failure of the Limited Partner to make the Capital Contributions as set forth in Section 3.2 (unless otherwise reduced or excused pursuant to the terms of this Agreement), the Partnership may, in addition to any other remedies to which it may be entitled under the terms of this Agreement and/or by law, collect interest, from the date of default, at 2% over the floating prime rate charged by the Bank of California, N.A., or its successors in interest, adjusted monthly, on the unpaid principal amount of the promissory note referred to in Section 3.2.B, and invoke any or all the the following remedies (subject, however, to the General Partners having first provided the Limited Partner with 20 days prior written notice of such failure and their intention to invoke any one of such remedies, and, further, to the Limited Partner's right (subject to its corresponding obligation to reimburse the Partnership for all costs incurred subsequent to its 20-day notice and arising out of the Limited Partner's default) to cure its failure at any time not less than five days prior thereto):

(1) Suspension of Benefits. To the extent permitted by the Code, the defaulting Limited Partner shall have no right, with respect to that portion of its Capital Contribution represented by the past-due principal balance of its promissory note, to receive any allocation of Net Profits or Net Losses or any Distribution while it remains in default. If any allocation of Net Profits or Net Losses is made during a period of default, the share of such allocation to which the defaulting Limited Partner would otherwise be entitled shall, to the extent permitted by the Code, be reallocated among the remaining Partners.

(2) Collection. The General Partners may take any action which they deem necessary or appropriate for the collection from the defaulting Limited Partner of any installment due (including the right to specific performance), in which case the Partnership shall be entitled to collect attorneys' fees and all costs of collection, whether or not suit or action is filed in connection therewith.

(3) Sale of Limited Partnership Interests in the Partnership. The General Partners may sell all or any portion of the defaulting Limited Partner's limited partnership interests in the Partnership at a public or private sale (subject to applicable federal and state securities laws), at such price, for cash or on credit, as the General Partners shall reasonably determine; provided, that such sale be conducted in a commercially reasonable manner. The Partnership or any Partner (except the defaulting Limited Partner) shall have the right to purchase all or any part of such limited partnership interests. The net

proceeds from such sale shall be applied to the payment of all obligations to the Partnership of the defaulting Limited Partner and to the reasonable costs of the sale, including attorneys' fees and collection costs of the defaulting Limited Partner shall be liable for any deficiency in such sale proceeds; correspondingly, the defaulting Limited Partner shall also be entitled to any surplus remaining after satisfaction of the obligations set forth above. The Limited Partner hereby irrevocably constitutes and appoints each General Partner as its true and lawful attorney-in-fact, with full power of substitution, to act for it and in its name, place, and stead to sell and transfer any part of its interest in the Partnership pursuant to this Section and to execute such documents as may be necessary or desirable to effectuate such transfer.

3.3 Capital Account. A capital account shall be maintained for each Partner ("Capital Account"). It shall be credited with the Partner's Capital Contribution and its share of Net Profits, and it shall be charged with the Partner's share of Net Losses and Distributions. Loans by any Partner to the Partnership shall not be considered contributions to the capital of the Partnership.

3.4 Interest. No Partner shall be entitled to interest on a Capital Contribution or Capital Account.

#### ARTICLE IV

##### ALLOCATION OF PROFIT AND LOSS: DISTRIBUTIONS

4.1 Allocation of Net Profits and Net Losses. Except as otherwise provided herein, all Net Profits and Net Losses, other than from a Sale, and each item of income, gain, loss, deduction and/or credit shall be allocated to the respective Partners of the Partnership as follows (subject to Section 8.2, Net Profits and Net Losses and specific items of income, gain, loss, reduction and/or credit shall be allocated to a Partner only for that portion of the Partnership's fiscal year for which it is a Partner (in no event shall the General Partners have allocated to them less than 1% of any item of Net Profits and Net Losses));

<u>PARTNERS</u>	<u>PERCENTAGE</u>
General	5%
Limited	<u>95%</u>
TOTAL	<u>100%</u>

4.2 Distribution of Net Cash Flow. Net Cash Flow shall be distributed annually within 75 days after the end of each fiscal year to the Partners as follows (in no event shall Net Cash Flow be distributed in amounts greater than permitted by the Mortgage or applicable FmHA rules or regulations):

<u>PARTNERS</u>	<u>PERCENTAGE</u>
General	5%
Limited	<u>95%</u>
TOTAL	<u>100%</u>

4.3 Allocation of Net Profits on Sale. Any Net Profits realized by the Partnership as a result of any of the transactions described in Section 4.5 shall be allocated to the Partners (after having given effect to charges and credits to Capital Accounts resulting from allocations pursuant to Section 4.1 for the fiscal year of the Partnership in which the gain is recognized for federal income tax purposes, and to all distributions for such year under Section 4.2, but before giving effect to any distributions under Section 4.5) as follows and in the following order of priority:

A. First, if the Capital Account of any Partner or Partners is a negative figure, an amount of such gain shall be allocated to those Partners whose Capital Accounts are negative in the proportion of such negative balances to one another, until the balances of each such Partners' Capital Accounts are equal to zero.

B. Second, an amount of gain equal to the aggregate amount of proceeds distributable (subject to deferral for any election to report such gain on an installment basis) under Section 4.5.C shall be allocated to the Partners to whom such proceeds are distributable in proportion to their right to such distributions.

C. Third, if the total gain to be allocated under this Section 4.3 includes any item of ordinary income arising under Section 1245 or 1250 of the Code, or any similar "recapture" gain, or if such total gain includes interest income on any deferred sales proceeds, such items of ordinary income and interest income shall be allocated among the Partners in the same proportion as the aggregate gain allocated under the preceding subsection 4.3.A is allocated.

D. Fourth, any gain remaining shall be allocated 70% to the Limited Partner and 30% to the General Partners.

E. Notwithstanding any other provision of this Section 4.3, the General Partners in the aggregate shall at no time have less than 5% of any such gain realized by the Partnership allocated to them.

4.4 Allocation of Net Losses on Sale. Any Net Losses incurred by the Partnership as a result of any of the transactions described in Section 4.5 shall be allocated to the Partners as follows and in the following order of priority:

A. First, if the Capital Account of any Partner or Partners is a positive figure, an amount of such loss shall be allocated to those Partners whose Capital Accounts are positive in the proportion of such positive balances to one another, until the balances of each such Partners' Capital Accounts are equal to zero.

B. Second, any loss remaining shall be allocated to the Partners as Net Losses are allocated under Section 4.1.

C. Notwithstanding any other provision of this Section 4.4, the General Partners in the aggregate shall at no time have less than 1% of any such loss realized by the Partnership allocated to them.

4.5 Distribution of Net Cash Proceeds from a Sale or Refinancing. The net proceeds resulting from the refinancing of any deed of trust, mortgage, or similar loan on the Project or from a Sale, in excess of the amount expended in restoration of property affected by a condemnation or applied to the Partnership's obligations, shall be distributed and applied in the following order of priority (the Partners acknowledge that the General Partners must maintain a 5% ownership interest in the net proceeds of a Sale, as required by applicable FmHA regulations):

A. If the Partnership is to wound up, to the payment of the expenses of liquidation and the debts and liabilities of the Partnership then due, including obligations to any Partners;

B. If the Partnership is to be wound up, to the setting up of any reserves that the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership; provided, however, that said reserves shall be deposited with a bank or trust company designated by the General Partners, in escrow and at competitive interest rates, for the purpose of disbursing such reserves for

the payment of any of the aforementioned contingencies; provided, further, that such escrow shall terminate not later than two years therefrom, at which time the General Partners shall distribute the balance thereof pursuant to Section 4.5.D;

C. Pro rata among the Partners in the sum of their aggregate Capital Contributions, plus the Limited Partner's purchase price of the withdrawing Initial Limited Partner's Units of limited partnership interests (as specified in the Purchase Agreement attained hereto as Exhibit 1.7.1) ("purchase price" being defined to include any interest paid by the Limited Partner in connection therewith), less all prior distributions to the Partners (except as otherwise provided herein or by law, the General Partners shall have no personal liability with respect to a return of the Limited Partner's Capital Contributions); and

D. After the foregoing payments in this Section 4.5 have been provided for, any balance remaining shall be distributed 70% to the Limited Partner and 30% to the General Partners.

4.6 Consent to Allocations and Distributions. Each Partner expressly consents to the methods set forth in this Article IV for determining the allocations and distributions of Net Profits, Net Losses, and Distributions.

4.7 Allocations and Distributions Between General Partners. Whenever any Net Profits or Net Losses, or any items of income, gain, loss, deduction or credit, are allocated, or an item of cash is distributed, to General Partners as a class and there is more than one General Partner, such Net Profits, Net Losses or items shall be allocated or distributed to the General Partners in the manner set forth in a written instrument signed by all General Partners and delivered to the Partnership; provided such allocation and distribution may be modified by a subsequent written instrument signed and delivered to the Partnership in the same manner.

## ARTICLE V

### REPURCHASE OF LIMITED PARTNER'S INTEREST

5.1 Right to Require Repurchase. The Limited Partner may, but is under no obligation to do so, require the Partnership to repurchase its Units of limited partnership interests if, within 120 days of the effective date of this Agreement, the FMHA disapproves the admission of the Limited Partners, or the material terms and modifications contained in this Agreement.

**5.2 Purchase Price.** The purchase price of the Limited Partner's Units of limited partnership interests shall be the sum of the following (less the sum of any prior distributions to the Limited Partner): (i) all Capital Contributions previously paid to the Partnership, together with a full release of the Limited Partner from any further obligation to make Capital Contributions thereto; (ii) all amounts paid to the withdrawing Initial Limited Partners under the Purchase Agreement attached hereto as Exhibit 1.7.1, including any interest paid thereunder, together with a full release of the Limited Partners from any further obligation to make payments thereunder; and (iii) and the Partnership's full release and indemnification of the Limited Partner from any obligations or liabilities arising out of its association with the Partnership. The full amount of the purchase price shall be paid to the Limited Partner within 10 days of the occurrence of the event requiring use of the Limited Partner's right to require repurchase of its limited partnership interests. If not so paid, it shall accrue interest at the maximum rate of interest allowed by law. The Limited Partner's right to require such repurchase shall, however, be conditioned upon it having first given the Partnership notice of the occurrence of one or more of the events described in Section 5.1, as well as the notice required in Section 5.5.

**5.3 Guaranty of the General Partners.** Should the Partnership fail to pay the full amount of the purchase price, as well as fulfill all other requirements of Section 5.2, the General Partners, jointly and severally, shall and hereby agree to assume the obligation of the Partnership and, further, to indemnify and hold harmless the Limited Partners from any injury, loss, damage, or expense, including attorneys' fees, incurred by the Limited Partner as a result of the Partnership's failure to perform under Section 5.2.

**5.4 Amendment of Agreement.** In the event the General Partners fail to amend this Agreement to conform with the Partnership's repurchase of the Limited Partner's Unit of limited partnership interests, the General Partners each hereby irrevocably appoint Robert M. Arcand, a general partner of the Limited Partner, with full power of substitution, their true and lawful attorney-in-fact, in their name, place and stead, with full power to act to make, execute, sign, acknowledge, swear to, verify, deliver, file, record, and publish an amendment to this Agreement and the Certificate indicating the purchase of the Limited Partner and the substitution of the General Partners as Substitute Limited Partners in its place.

**5.5 Notice.** Notwithstanding anything to the contrary herein, no repurchase shall be required until the Limited Partner shall have given the Partnership and the General Partners 10 days prior written notice to repurchase the Units of limited partnership interests.

## ARTICLE VI

### RIGHTS, POWERS, AND DUTIES OF GENERAL PARTNERS

6.1 Management. The General Partners shall be responsible for the management of the Partnership's business.

6.2 Powers. Subject to Section 6.3, the General Partners shall have all authority, rights, and powers generally conferred by law, including the authority, rights, and powers of general partners in a partnership without limited partners, and shall have all authority, rights, and powers which they deem necessary or appropriate to effect the purposes of the Partnership, including, by way of illustration but not by way of limitation, the following:

A. To acquire (including by fee or real estate contract), hold, sell, transfer, assign, lease, or otherwise deal with any real, personal, or mixed property, interest therein or appurtenance thereto, including, specifically, the authority, right, and power to acquire property not owned by the Partnership, with cash or other property.

B. To borrow money or incur any purchase money mortgage or similar obligation and, if security is required therefor, to mortgage or subject to any other security device any portion of the assets of the Partnership, including any assets acquired with the proceeds of such borrowing, to obtain replacements of any mortgage or other security device, and to prepay, in whole or in part, refinance, increase, modify, consolidate, or extend any mortgage or other security device and including, specifically, the authority, right, and power to borrow money for working capital purposes to acquire, rehabilitate, and operate the Project and to engage in related activities.

C. To purchase, at Partnership expense, liability and other insurance to protect the Partnership's business and property.

D. Subject to Section 7.8, to employ, contract, and deal with, from time to time, persons, firms, or corporations, including any Partner or Affiliate of any Partner, in connection with the management and operation of the Partnership business, including, without limitation, contractors, agents, brokers, accountants, and attorneys, on such terms as the General Partners shall determine.

E. To establish reserve funds from revenues of the Partnership to provide for future requirements of the Project for operations, maintenance, repair, capital improvement, replacement, contingencies, or any other purpose deemed necessary or appropriate by the General Partners.

F. To bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Partnership.

G. To pay as a Partnership expense any and all costs or expenses associated with the formation, development, organization, and operation of the Partnership.

H. To deposit, withdraw, invest, pay, retain, and distribute the Partnership's funds in a manner consistent with the provisions of this Agreement.

I. To require in any or all Partnership contracts that the General Partners shall not have any personal liability thereon, but that the Person contracting with the Partnership shall look solely to the Partnership and its assets for satisfaction.

J. To execute, acknowledge, and deliver any and all instruments to effectuate the foregoing.

6.3 Restrictions on Authority of General Partners.  
The General Partners shall be subject to all the restrictions and limitations of partners in a partnership without limited partners. Each General Partner shall be bound by all Project Documents (as defined in Section 6.9.A) and no additional General Partner shall be admitted if it has not first agreed to be bound by this Agreement (and assume the obligations of a General Partner hereunder) and by all Project Documents to the same extent and under the same terms as the other General Partners. In addition, without the prior consent of holders of a majority of the outstanding Units of limited partnership interests, and except as otherwise provided in this Agreement, no General Partner shall:

A. Sell all, or substantially all, of the assets of the Partnership or otherwise sell or assign Partnership property other than in the ordinary course of the Partnership's business;

B. Voluntarily terminate the status of the Project as a "FmHA Section 515 Rural Rental Housing" Project;

C. Borrow money, whether on a secured or unsecured basis, or refinance, recast, modify, or extend any loan to the Partnership, or which affects or is secured by the assets of the Partnership, except that the General Partners shall have the right and power without such consent to borrow additional funds on behalf of the Partnership to meet current cash needs of the Partnership, provided such amounts of additional funds so borrowed and outstanding under this subsection C shall be borrowed at commercially reasonable rates and not, at any time, exceed the sum of \$25,000;

D. Do any act in contravention of this Agreement;

E. Do any act which would make it impossible or impractical to carry on the ordinary business of the Partnership;

F. Confess a judgment against the Partnership;

G. Possess Partnership property, or assign its rights in specific Partnership property, for other than a Partnership purpose; or

H. Admit a Person as a General Partner or Limited Partner, except as provided in Sections 8.2 or 8.3, respectively.

6.4 Other Activities. The General Partners shall not be required to devote their full time to the management of the Partnership's business, but only so much of such time as the General Partners deem necessary or appropriate for the proper management of such business. The General Partners, and any of its respective Affiliates, may engage or possess an interest, independently or with others, in other businesses or ventures of every nature and description, including without limitation the ownership, operation, financing, leasing, management, brokerage, syndication and development of residential and commercial rental of real property in competition with the Partnership or otherwise, and neither the Partnership nor any Partner shall have any rights in or to such ventures or the income or profits derived therefrom.

6.5 Distributions. Except as otherwise provided herein, each Partner shall look solely to the assets of the Partnership for all Distributions and its share of Net Profits or Net Losses, and shall have no recourse therefor (upon dissolution or otherwise) against the General Partners or the Limited Partner; however, this limitation shall not impair the right of the Partnership to enforce its rights against a General or Limited

Partner. No Partner shall have any right to demand or receive property other than money upon dissolution and termination of the Partnership.

**6.6 Limitation on Liability; Indemnification.**

A. Indemnification of Limited Partner. The General Partners will indemnify and hold the Partnership and the Limited Partner harmless from and against any and all losses, damages, and liabilities (including attorneys' fees at trial and on appeal) which the Partnership or the Limited Partner may incur by reason of the past, present, or future actions or omissions of the General Partners or any of their Affiliates, or any liabilities to which either the Partnership or the Project is subject; provided, however, that the foregoing indemnification shall not apply (except as provided in Section 6.10 hereof) to: (i) the Mortgage; or (ii) necessary contractual obligations normally incurred pursuant to the Project Documents (as defined in Section 6.9.A) or in connection with the operation of the Project.

B. Indemnification of General Partners. Each General Partner shall be entitled to indemnification from the Partnership for any act or omission performed within the scope of the authority conferred by this Agreement; provided, however, such General Partner acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Partnership and its Partners. No indemnification shall be made, however, with respect to any matter as to which such General Partner shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Partnership unless (and only to the extent that) the court in which such action was brought determines that despite the adjudication of liability, but in view of all circumstances, such General Partner is fairly and reasonably entitled to indemnity. Any indemnity under this subsection shall be provided out of and to the extent of the Partnership assets only, and the Limited Partner shall not have any personal liability on account thereof.

**6.7 Excess Construction/Development Costs.** The General Partners shall be obligated to pay any costs or expenses incurred by the Partnership to fund Project construction and development costs beyond those contemplated by the Project Documents (as defined in Section 6.9.A), as such documents exist at the time such costs or expenses are incurred, whether or not the General Partners have otherwise guaranteed such payment. All such costs and expenses shall constitute additional Capital Contributions by the General Partners.

**6.8 Certain Fees.** Except as otherwise provided herein, the General Partners are specifically authorized to employ, contract, and deal with, from time to time, any Partner or any

Affiliate of any Partner, and in connection therewith to pay such person's or entity's fees, prices, or other compensation, provided that such employment, contracts, and dealings are necessary or appropriate for the Partnership's purposes, and that the fee, price, or other compensation paid by the Partnership is, in the judgment of the General Partners, reasonable, typical, and competitive with the fees, prices, or other compensation customarily paid for similar property or services in the same general area. In addition to any other fees, prices, or other compensation, reimbursement of expenses, or other right to which the General Partners and their Affiliates may be entitled, the General Partners and their Affiliates shall be entitled to receive the following amounts for services rendered to the Partnership (except as otherwise provided herein and subject to the existing written agreements therefor between the General Partners, the Affiliates, and the Partnership):

A. Partnership Management Fee. The Partnership shall accrue and pay a Partnership Management Fee of \$53,980 to the Partnership Manager for providing the following services to the Partnership: monitoring of operations, performing periodic physical inspections, reviewing financial and tax accounting systems, reviewing operating budgets and statements, reviewing management procedures, supervising the preparation of financial statements and tax returns, and monitoring all other matters relating to the legal and tax status of the Partnership. Such Partnership Management Fee shall be earned in the following amounts, and upon the following dates, for services rendered on and after such dates for the balance of the respective calendar year in which earned:

<u>AMOUNT</u>	<u>DATE</u>
\$31,100	November 1, 1985
4,060	January 1, 1986
4,175	January 1, 1987
5,435	January 1, 1988
5,050	January 1, 1989
<u>4,160</u>	January 1, 1990
<u>\$53,980</u>	TOTAL

and paid on or before the following dates (different than those above) in the following amounts (also different than those above):

<u>AMOUNT</u>	<u>DATE</u>
\$24,692	November 1, 1985
10,118	March 15, 1986
4,525	March 15, 1987
5,435	March 15, 1988
5,050	March 15, 1989
4,160	March 15, 1990
<u>\$53,980</u>	TOTAL

B. Operating Deficit Guarantee Fee. The Partnership shall accrue and pay an Operating Deficient Guarantee Fee of \$24,000 to the General Partners for services rendered in guaranteeing that any Operating Deficits will be covered (as provided for in Section 3.1). Such Operating Deficit Guarantee Fee shall be earned in the following amounts, and upon the following dates, for services performed on and after such dates for the balance of the respective calendar year:

<u>AMOUNT</u>	<u>DATE</u>
\$ 1,600	Date of this Agreement
4,800	January 1, 1986
4,800	January 1, 1987
4,800	January 1, 1988
4,800	January 1, 1989
3,200	January 1, 1990
<u>\$24,000</u>	TOTAL

and paid on or before the following dates in the following amounts:

<u>AMOUNT</u>	<u>DATE</u>
\$ 1,600	Date of this Agreement
4,800	March 15, 1986
4,800	March 15, 1987
4,800	March 15, 1988
4,800	March 15, 1989
3,200	March 15, 1990
<u>\$24,000</u>	TOTAL

This Operating Deficit Guarantee Fee shall be amortized in equal monthly amounts over the 60 months immediately following the date of this Agreement.

C. Limited Partnership Interest Repurchase Fee.

A Limited Partnership Repurchase Fee of \$11,600 shall be earned by the General Partners for their agreement to repurchase the Limited Partner's Units of limited partnership interests as provided in Article V. The Limited Partnership Interest Repurchase Fee shall be earned and paid to the General Partners on the date of this Agreement. This Limited Partnership Repurchase Fee shall be amortized in equal monthly amounts over the four months immediately following the date of this Agreement.

D. Organizational Fee. An Organizational Fee of

\$5,000 shall be earned by the General Partners for their work in organizing the Partnership. This Organization Fee shall be deemed earned upon the date of this Agreement and shall be paid on November 1, 1990. This Organizational Fee shall be amortized in equal monthly amounts over the 60 months following the date of this Agreement.

E. Tax Treatment.

With the exception of the Incentive Development Fee described in Section 6.8.E, it is intended by the Partners that the fees specified in Section 6.8 will be treated as guaranteed payments made for services by a person who is not a Partner pursuant to Section 707 of the Code. Except as otherwise specifically set forth, all fees are payable for services to be performed in the future and are payable without regard to the income of the Partnership. If for any reason, all or any portion of such fees are treated as distributions to a Partner, Partnership gross income equal to such deemed distribution shall be allocated to the Partner, effective as of the date of such deemed distributions, as part of the allocations specified in Section 4.1 (and notwithstanding any provision of this Agreement to the contrary).

6.9 Representations and Warranties.

A. The General Partners represent and warrant that the following are true, correct, and complete on the date hereof, and will be true, correct, and complete hereafter, including the due dates for each installment payment of the Capital Contributions of the Limited Partner:

(1) The Partnership is a duly organized limited partnership validly existing under the laws of the State of Idaho, and has complied with all filing requirements necessary for the protection of the limited liability of its Limited Partner.

(2) The documents issued or required by the FmHA or any other lender in connection with construction, mortgage funding, rental, and operation of the Project (the "Project Documents") are in full force and effect, and the Partnership is not in breach or violation of any provisions thereof.

(3) The General Partners have provided to the Limited Partner copies of all amendments they proposed to any Project Document at least 10 days prior to its effective date, and the General Partner shall continue to do so on an on-going basis.

(4) Existing improvements, if any, on the Project have been completed in conformity with the Project Documents.

(5) New construction on the Property shall be completed in conformance with the Project Documents.

(6) Neither the General Partners or their Affiliates, nor the Partnership are in material default under any of the Project Documents, or in violation of any FmHA regulations.

(7) No Limited Partner has any personal liability with respect to or has personally guaranteed the payment of the permanent loan evidenced by any note secured by the Mortgage.

(8) All building and other applicable permits necessary to permit the construction and intended use of the Project have been obtained.

(9) The Partnership is in compliance with all construction and use codes applicable to the Project.

(10) The Partnership is not in violation of any zoning, environmental, or similar regulations applicable to the Project.

(11) The Partnership owns the fee simple interest in the Project, subject to the Mortgage (except those with respect to which an adequate bond or other financial security has been issued which, in the aggregate, do not exceed \$2,000 and the Mortgage).

(12) No charges or encumbrances exist other than those which are created or permitted by the Project Documents or are noted or excepted in the title policy for the Project.

(13) The buildings on the Property shall constitute "residential rental property" as defined by Section 167(j) of the Code, and as amplified by the Regulations promulgated thereunder.

(14) No event or proceeding has occurred, the continuing effect of which has or would: (i) materially or adversely affect the operation of the Partnership or the Project; (ii) materially or adversely affect the ability of the General Partners to perform their obligations hereunder, or under any other agreement with respect to the Project; or (iii) prevent the completion of construction of the improvements in substantial conformity with the Project Documents, other than legal proceedings which have been bonded against (or as to which other adequate financial security has been issued) in a manner as to indemnify the Partnership against loss. This subsection includes, but is not limited to, the following: (i) legal actions or proceedings before any court, commission, administrative body, or other governmental authority; and (ii) acts of any governmental authority having jurisdiction over the zoning or land use laws applicable to the Project. This subparagraph does not apply to matters of general applicability which would adversely affect the Partnership, the General Partners, its Affiliates, or the Project only insofar as they or any of them are part of the general public.

(15) There are no pending or threatened lawsuits or claims against the Partnership, the General Partners, or their affiliates which have not been disclosed in writing to the Limited Partner.

(16) All documents pertaining to the Partnership or the Project shall be made available to the Limited Partner.

(17) The General Partners have and shall maintain an aggregate net worth equal to at least 15% of the aggregate of the Limited Partner's Capital Contributions.

(18) The interest of the General Partners in each material item of Partnership income, gain, loss, deduction or credit will be equal to at least 1% of each such item at all times during the existence of the Partnership.

(19) The General Partners have funded and posted, or will fund and post from their own funds, prior to Completion of Construction or rental operations of the Partnership, all funds as required by FmHA regulation, including, but not limited to, the initial 2% Operation and Maintenance Reserve

(commonly known as the "2% Reserve") included in the Capital Contributions described in Section 3.1.

(20) The General Partners, at the request of the Limited Partner, shall add the Limited Partner as an additional party to receive notice from third parties of any default or delinquency of the Partnership in its operation or affairs. The General Partners shall, upon such request, provide the Limited Partner with satisfactory evidence of their compliance with same.

(21) As of the date of execution of this Agreement, the Partnership has no liabilities, contingent or otherwise, that have not been disclosed in writing to the Limited Partner.

(22) The General Partners will fund any Operating Deficit of the Partnership as provided in Section 3.1 of this Agreement.

(23) All insurance required by the Mortgagee or otherwise necessary to adequately protect the Partnership including, without limitation, fire and extended coverage insurance for the full replacement value of the Project, is and will continue to be in full force and effect in favor of the Partnership, or will be obtained and thereafter maintained as promptly as is appropriate.

(24) All documents, financial statements and other written materials submitted to the Additional Limited Partner by the Partnership for the General Partners in connection with the Limited Partner's admission to the Partnership are true, accurate, and complete, disclose all material facts, do not omit to state a material fact necessary to make the statements made therein not misleading, and when applicable, have been prepared in accordance with generally accepted accounting principals consistently applied throughout the periods indicated.

(25) The General Partners have not elected to amortize the permanent loan under the FmHA's Predetermined Amortization Schedule System ("PASS").

B. Except as specifically provided for in this Agreement, the General Partners shall not at any time become personally liable for the payment of any part of any note evidenced by the Mortgage and shall not permit any other Partner or an Affiliate of any Partner to become personally liable for the payment of any part of any note evidenced by the Mortgage.

C. Other than as specifically provided for in this Agreement, the General Partner shall not permit any creditor who makes a nonrecourse loan to the Partnership to have or acquire at any time, as a result of making the loan, any interest in the profits, capital, or property of the Partnership, other than as a secured creditor.

D. The General Partners and their Affiliates agree that they will be liable to the Limited Partner for any costs, damages, loss of profits, diminution in the value of the Units of limited partnership interests, or other losses, of every nature and kind whatsoever, direct or indirect, realized or incurred by the Limited Partner (including attorneys' fees incurred at trial and on appeal) as a result of any material breach of the representations, covenants, and warranties set forth in this Section 6.9.

6.10 Default of General Partner. Should the General Partners or their Affiliates fail to perform any of their obligations hereunder, including, without limitation, the making of all payments required to be made pursuant to the Project documents, or the funding of all Operating Deficits required hereby, then the Limited Partner, through the Partnership, in addition to any other remedies available hereunder or in law or equity, may invoke one or more of the following remedies:

A. Cure and Offset. The Limited Partner may, by written instrument delivered to the General Partners, require the Partnership to cure such default. In such event, the amount of all proximate damages suffered thereby, including reasonable attorneys' fees, if any, incurred by the Partnership in curing such default, shall be immediately reimbursable to the Partnership by the General Partners, together with interest thereon at the rate of 2% over the floating prime rate charged by the Bank of California, N.A., or its successors in interest, adjusted monthly, from the date of the liquidation of such damages, until paid. The General Partners shall and hereby do secure such obligation with their general partnership interest in the Partnership, together with all Distributions made in connection therewith. The General Partners, upon demand, shall execute such documents, instruments, and financing statements as are necessary to perfect the security interest granted hereunder. In addition to the foregoing, the Partnership may elect to offset and credit such obligation directly against the next installments due to the General Partners or their affiliates under Section 6.8 hereof. When and as such obligation shall be paid by such offset, the amount thereof shall be deemed to constitute Capital Contributions to the Partnership by the General Partners.

B. Escrow. The Limited Partner may, through the Partnership, by written instrument delivered to the General Partners, require the Partnership to establish an interest-bearing escrow account (the "Escrow") upon the following terms and conditions:

(1) The escrow agent shall be an agent of the Partnership, shall be unaffiliated with the General Partners, and shall be licensed to conduct banking, savings and loan, trust or other escrow activities, or a professional whose requirements of licensure requires the segregation of funds of others into fiduciary trust accounts;

(2) All scheduled Capital Contributions of the Limited Partner shall thereafter be paid into the Escrow as they become due;

(3) The escrow agent shall be instructed to pay from the Escrow only those Partnership obligations presented to the escrow agent by bona fide invoice from the Partnership creditors unaffiliated with the General Partners;

(4) To the extent the partnership has insufficient funds, as a result of the General Partners' default or otherwise, payments due the General Partners or their Affiliates pursuant to Section 6.8 hereof shall be reduced or, if necessary, suspended during the period of the Escrow and any unpaid portion thereof shall be fully subordinated after termination of the Escrow to the Partnership's nonaffiliated unsecured general creditors;

(5) The Escrow shall terminate on the earlier of: (i) the Limited Partner's finding that satisfactory evidence of future performance by the General Partners has been delivered to the Partnership, or (ii) one year from the date of the establishment of the Escrow -- provided, however, that nothing herein shall preclude the Limited Partner from reinstituting such Escrow pursuant to the terms hereof or otherwise exercising any other remedies available to it by law, equity, or pursuant to this Agreement; and

(6) All costs associated with the establishment and maintenance of the Escrow, including the Partnership's reasonable attorneys' fees, shall be borne by the General Partners and, further, may be offset, credited, and characterized as additional Capital Contributions of the General Partners as set forth in Section 6.10.B, above.

C. Discounting of Limited Partner's Deferred Capital Contributions and Payments under Purchase Agreement. The Limited Partner may, by written instrument delivered to the

General Partners, require the Partnership to fund the General Partners' failure to perform their obligations under this Agreement by prepaying its deferred Capital Contributions required under Section 3.2.A and/or its deferred payment obligations under the Purchase Agreement attached hereto as Exhibit 1.7.1. In this event, any Capital Contributions or payments under the Purchase Agreement paid to the Partnership prior to its scheduled date for payment shall be discounted, using an amount set by standard amortization schedules based upon a discount rate equal to 2% over the floating prime rate charged by the Bank of California, N.A., or its successors in interest, from the date such deferred Capital Contribution or deferred payment under the Purchase Agreement was due. Any Capital Contribution or payment under the Purchase Agreement of the Limited Partner so discounted shall be deemed fully paid. The amount of any discount cost borne by the Partnership shall become an obligation of the General Partners and shall be repaid to the Partnership, by offset or credit against the General Partner's Distributions and/or fees due to the General Partners and their Affiliates. All such amounts, when deemed paid, shall be characterized as additional Capital Contributions by the General Partners as set forth in Section 6.10.B, above.

D. Notice. Notwithstanding anything to the contrary herein, no such remedy shall be invoked until the General Partners shall have been in receipt of 10 days prior written notice from the Limited Partners to cure such default and such default has not in fact been cured within that time.

#### 6.11 Managing General Partner.

A. Appointment Process. So long as there continues to be multiple General Partners, a majority in interest of the General Partners may in writing appoint one of such General Partners as the Managing General Partner. Such Managing General Partner shall exercise all the rights, powers, and obligations of the General Partners hereunder and the other General Partner or General Partners shall not exercise any such rights while one General Partner is so appointed. A majority in interest of the General Partners may, however, revoke their appointment of the Managing General Partner. Correspondingly, any General Partner may withdraw such designation by giving written notice of such withdrawal to the other General Partner or General Partners.

B. Appointment of Initial Managing Partners. The General Partners are hereby designated as Managing General Partners, subject to the provisions of subsection 6.11.A, above.

C. Vacancies. In the absence of an effective designation of a Managing General Partner, no action shall be

deemed approved by the General Partners in the absence of the approval of a majority in interest of the General Partners.

**6.12 Property Manager.** The Partnership shall enter into a Property Management Agreement with a property manager ("Property Manager") to operate the Project on a day-to-day basis for the maximum term and fee approved by FmHA. The General Partners shall either: (i) cause the provisions of this Section 6.12 to be included in the Property Management Agreement; or (ii) cause the Property Manager to acknowledge the provisions of this Section 6.13 in writing in a form satisfactory to the Limited Partner. The General Partners (or, if a General Partner or his affiliate is the Property Manager, the Limited Partner) may, at any time (but with the approval of FmHA, if required), dismiss the Property Manager for the following reasons: (i) the Property Manager is declared bankrupt; (ii) the Property Manager is guilty of intentional misconduct or gross negligence of its duties and obligations; (iii) the Property Manager takes any action or fails to take any action which violates in any material respect any provision of the Mortgage or any FmHA or other governmental agreement or regulation applicable to the Project; (iv) the Property Manager violates in any material respect the Property Management Agreement, this Agreement, or any provision of applicable law, (v) the General Partners' management of the Partnership has been, at least in part, been affected by the default of the General Partners under Section 6.10; or (v) the Property Manager is an Affiliate of a General Partner who is removed pursuant to Article IX. Upon the removal or voluntary termination of the Property Manager, a substitute Property Manager shall be named (with the approval of FmHA, if required): (i) by the General Partners, with the approval of the Limited Partner, if a General Partner or his affiliate was not the Property Manager removed hereunder; or (ii) by the Limited Partner. The Property Manager shall submit to the General Partners and the Limited Partner monthly and other reasonably requested periodic reports with respect to the operation of the Project, including a comparison of actual versus budgeted results of operations for the period covered.

If the Project shall be subject to a substantial building code violation which shall not have been cured within six months after notice from the applicable governmental agency or department, or the Partnership shall not have distributed to the Partners Cash Flow of at least \$1,500 each year commencing in fiscal year 1991, upon the request of the Limited Partner (and subject to FmHA approval if required), the General Partners promptly shall terminate the Property Management Agreement with the Property Manager and appoint a new Property Manager which is neither a General Partner nor an Affiliate of a General Partner. The Partnership shall not enter into any Property Management

Arrangement unless such arrangement is terminable as set forth herein.

## ARTICLE VII

### RIGHTS AND LIMITATIONS OF THE LIMITED PARTNER

7.1 Limited Assessment. Except as provided in Section 7.2, the Limited Partner shall not be subject to assessment, nor shall the Limited Partner be personally liable for, or bound by, any expenses, liabilities, or obligations of the Partnership beyond its Capital Contributions.

7.2 Return of Prior Distribution. Under applicable law, the Limited Partner shall be liable to the Partnership for any sum, not in excess of prior Distributions made to the Limited Partner, with statutory interest, necessary to discharge the Partnership's liabilities to all creditors who extended credit or whose claims arose before such reduction or before the Certificate is amended to reflect such reduction. This provision is intended to be informational only as to the status of existing Idaho law and conveys no rights of whatsoever kind or nature to creditors of the Partnership or of any Partners.

7.3 No Right to Manage. The Limited Partner shall not take part in, nor interfere in any manner with, the management, control, conduct, or operation of the Partnership, or have any right, power, or authority to act for or bind the Partnership. No Limited Partner shall have the right to bring an action for partition against the Partnership.

7.4 Priority. The Limited Partner shall not have priority over any other Partner, respectively, either as to the return of Capital Contributions or as to Net Profits, Net Losses, or Distributions, unless otherwise specifically provided herein.

7.5 Death, Disability, etc., of a Limited Partner. The Partnership shall not be dissolved by the death, insanity, adjudication of incompetency, bankruptcy, insolvency or withdrawal of the Limited Partner; by the Limited Partners' assignment of its interest; or by the admission of a Substitute Limited Partner or a Special Limited Partner.

7.6 Meetings. Meetings of the Partnership may be called by the General Partners and shall be called by them upon written request of the Limited Partner. There will be no regular meetings.

## 7.7 Proposal and Adoption of Amendments Generally.

A. Amendments to this Agreement to reflect the addition or substitution of a Limited Partner, the designation of an additional or successor General Partner, or the removal or withdrawal of a General Partner shall be made at the time and in the manner referred to in Section 7.9. Any other amendments to this Agreement may be made in the following manner:

(1) The amendment may be proposed by the General Partners, who shall give notice to the Limited Partners of:

(a) The text of such proposed amendment;

(b) A statement of the purpose of such amendment; and

(c) An opinion of counsel obtained by the General Partners to the effect that such amendment is permitted by the Idaho Uniform Limited Partnership Act, will not impair the limited liability of the Limited Partners, and will not adversely affect the classification of or cause a termination of the Partnership as a partnership for federal income tax purposes.

Such proposed amendments shall be adopted if consented to by the Limited Partner.

(2) The amendment may be proposed by the Limited Partner, who shall give notice to the General Partners of:

(a) The text of such proposed amendment;

(b) A statement of the purpose of such amendment; and

(c) An opinion from counsel acceptable to the General Partners and obtained by such Limited Partners, satisfactory in form and substance to the counsel for the Partnership, to the effect that such amendment is permitted by the Idaho Uniform Limited Partnership Act, will not impair the limited liability of the Limited Partners and will not adversely affect the classification or cause the termination of the Partnership as a partnership for federal income tax purposes.

Such proposed amendment shall be adopted if consented to by the General Partners.

(3) The amendment may be proposed by the General Partners as necessary to add to the representations, duties, or obligations of the General Partners, or to surrender any right or power granted herein, for the benefit of the Limited Partner.

Such proposed amendment shall be deemed adopted 20 days following its delivery to the Initial Partner.

B. The General Partners shall, within a reasonable time after the adoption of any amendment to this Agreement, make any official filings or publications required or desirable to reflect such amendment, including any required filing for recordation of any certificate.

7.8 Limitations on Amendments. Notwithstanding the provisions of Section 7.7, no amendment to this Agreement may:

A. Without the consent of each affected Partner, enlarge the obligations of any Partner under this Agreement, or convert the interest of the Limited Partner into the interest of a General Partner, or modify the then limited liability of the Limited Partner, or issue any additional Units of limited partnership interests, or create any additional class of limited partnership interests;

B. Modify the order and method provided herein for allocation of Net Profits and Net Losses, and distribution of Net Cash Flow and Net Cash Proceeds, from the Sale or Refinancing of the Project, and net proceeds resulting from the liquidation of the Partnership, without the consent of each Partner adversely affected by such modification; or

C. Amend this Section 7.8 without the interim consent of all Partners.

7.9 Amendments on Admission or Withdrawal of Partners.

A. Amendments to admit Substitute Limited Partners shall be adopted if the conditions specified in Section 8.3 shall have been satisfactorily complied with, and the amendment shall have been signed by the General Partners by the person to be substituted or added, and the Limited Partner or its attorney-in-fact.

B. Amendments to reflect the designation of an additional or successor General Partner shall be adopted if the conditions specified in Article IX shall have been satisfactorily

completed and the amendment shall have been signed by such additional or successor General Partner.

C. Amendments for the removal or withdrawal of a General Partner, if the business of the Partnership is continued, shall be adopted if the conditions specified in Article IX shall have been satisfactorily completed and the amendment shall have been signed by the successor General Partner.

## ARTICLE VIII

### TRANSFER BY LIMITED PARTNERS

8.1 Compliance with Securities Laws. No Partnership interest has been registered under the Securities Act of 1933, as amended, or under most state securities laws. Except as set forth in this Section 8.1, a Limited Partner may not transfer (a transfer, for purposes of this Agreement, shall be deemed to include, but not be limited to, any sale, transfer, assignment, pledge, creation of a security interest, or other disposition), all or any part of its Partnership interest, except upon compliance with applicable federal and state securities laws. The General Partners shall have no obligation to register the Limited Partner's Units of limited partnership interests under the Securities Act of 1933, as amended, or to make any exemption therefrom available to any Special Limited Partner or Substitute Limited Partner. Any certificates or other documents representing the Units will bear the following legend:

These Units have not been registered under Section 5 of the Securities Act of 1933 as amended, or most state securities laws. No sale, transfer, or other disposition of the Units (if otherwise permitted under the Partnership Agreement) may be made except upon filing a registration statement with the Securities Exchange Commission under the Act or applicable state securities laws, or having provided the Partnership with an opinion of counsel, in form and from counsel acceptable to the Partnership that such sale, transfer, or disposition is pursuant to an exemption from the registration requirements under all applicable federal and state securities laws.

Further, the Partnership will make notations on its records of the foregoing restrictions on transfer; if a transfer agent is ever appointed, the Partnership will issue appropriate stop

transfer instructions to its transfer agent respecting the limitations on transfer outlined herein.

**8.2 Transfer.** Except for the right to receive Distributions, rights arising out of Units of limited partnership interests in the Partnership owned by a Limited Partner may not be transferred, in whole or in part, unless, in addition to the conditions in Section 8.1, the transferor has, if requested by the General Partners, furnished the Partnership with evidence acceptable to the General Partners that such transfer complies with applicable federal and state securities laws. Transfers for which the above such conditions are satisfied will be recognized by the Partnership in conformity with Section 1.6 of this Agreement. Any transfer in contravention of this Article VIII shall be null and void, and shall not bind the Partnership.

**8.3 Admission of Substitute Limited Partner.** The transferor of a Unit of limited partnership interests may give its transferee the right to become a Substitute Limited Partner only after the transferee:

A. Adopts and approves in writing all the terms and provisions of this Agreement then in effect; and

B. Assumes the obligation to the Partnership, if any, of the transferor of the Unit of limited partnership interests.

The General Partners shall not unreasonably withhold their consent to admit a transferee of a Unit of limited partnership interests to the Partnership as a Substitute Limited Partner in the place of its transferor. Correspondingly, nothing contained herein shall be interpreted to grant the General Partners any right or power to prevent or disapprove the sale by the Limited Partner of all or any portion of its limited partnership interests in the Partnership.

**8.4 Status of Transferee.** A nonadmitted transferee of a Unit of limited partnership interests in the Partnership shall only be entitled to receive that share of Distributions, and the return of that share of Capital Contributions, to which its transferor would otherwise be entitled with respect to the Units of limited partnership interests transferred, and shall have no right to obtain any information on account of the Partnership's transactions, to inspect the Partnership books, or to vote as a limited partner on any matter. The Partnership shall, however, if a transferor and a nonadmitted transferee jointly advise the General Partners in writing of a transfer of the Units of limited partnership interests, furnish the transferee with pertinent tax information at the end of each fiscal year of the Partnership.

8.5 Death, Bankruptcy, Incompetency, etc., of a Partner. Upon the death, dissolution, adjudication of bankruptcy, insanity or adjudication of incompetency of the Limited Partner, such Limited Partner's executors, administrators or legal representatives shall have all the rights of a limited partner, for the purpose of settling or managing such Limited Partner's estate, including such power as such Limited Partner possessed to constitute a successor as a transferee of its interest in the Partnership, and to join with such transferee in making the application to admit such transferee as a Substitute Limited Partner. Such executors, administrators, or legal representatives will not, however, have the right to become Substitute Limited Partners in the place of their predecessor in interest unless the General Partner shall so consent.

## ARTICLE IX

### CHANGES AMONG GENERAL PARTNERS

#### 9.1 Removal for Cause.

A. The Limited Partner may, by written instrument delivered to the General Partners, remove the General Partners for cause. Such removal shall be effective on the date of delivery of the Notice. Removal of a General Partner for cause shall include, but not be limited to, the following actions by the General Partners: (i) filing bankruptcy proceedings or making an assignment of the General Partners' partnership interests for the benefit of creditors; (ii) having involuntary bankruptcy proceedings initiated against it; (iii) subjecting the Partnership to an action for, or having otherwise injured the Partnership as a result of, their fraud, willful misconduct, breach of fiduciary duty or any other grossly negligent conduct in the performance of their duties as General Partners; (iv) breaching any material representation, covenant or warranty contained in Section 6.8; (v) material failure to perform such actions as may be required by the terms of this Agreement; and (vi) material neglect of their obligations under the terms of this Agreement or other action detrimental to the Partnership or its Partners. Notwithstanding anything contained herein, upon receipt of such notification, the General Partners agree to resign and withdraw as General Partners, provided such resignation and withdrawal shall not affect their rights to contest whether there was "cause" for such removal, to sue to recover any damages if such removal was without sufficient cause, or to challenge the amount of damages. The General Partners hereby irrevocably appoint the

Additional Limited Partner as agent and attorney-in-fact to execute and record all documents necessary to give effect to this Section 9.1.

B. General Partners so expelled shall forfeit their interest in the Partnership to the extent of 1% of the Partnership's allocations and distributions under Sections 4.1 and 4.2, respectively, and to the extent of 5% of the Partnership's distributions under Section 4.5 and the allocations corresponding thereto under Sections 4.3 and 4.4 (including any share of distributions for the fiscal year in which they are expelled, whether or not already accrued and owing to such General Partners). Upon such removal, the removed General Partners, or any Affiliates thereof, shall be entitled to receive payment of those fees provided for in Section 6.8 and applicable to calendar years through and including 1990, less any damages (including costs of litigation) incurred by the Partnership as a result of the actions of the removed General Partners.

C. Notwithstanding anything contained herein, the Limited Partner, or any successor General Partners proposed by it, shall have the option, but not the obligation, to acquire all or part of the nonforfeited interest in the Partnership of the General Partners removed pursuant to this Section 9.1 upon payment of the agreed value or fair market value, of such interest; provided, however, that in such event the Limited Partner or any successor General Partners proposed by it shall deduct from such agreed value or fair market value the amount necessary to offset the amount of any damages suffered by the Partnership as a result of any material breach of the obligations of such General Partners hereunder. Any dispute as to the value of the interest of the removed General Partners shall be submitted to a committee composed of three MAI appraisers, one chosen by the General Partners being removed, one chosen by the Limited Partner or successor General Partners, as the case may be, and the third chosen by the two so chosen. The proceedings of such committee shall conform to the rules of the American Arbitration Association, and its decision shall be promptly rendered and shall be final and binding upon the parties hereto and any successor General Partners in a court of competent jurisdiction. The removed General Partners and their Affiliates shall also forfeit any fees payable to them under Section 6.8 to the extent the damages (including costs of litigation) to the Partnership exceed the value of the interest of such removed General Partners as determined under this Section.

D. To the extent the interests of the General Partners in the Partnership are not forfeited or sold hereunder, the removed General Partners shall, upon such removal, become Special Limited Partners and as such shall not have any right to

participate in the management of the affairs of the Partnership. Such Special Limited Partners shall not share in any rights or interests given to the Limited Partner. Instead, such Special Limited Partner subject to Sections 9.1.B and 9.1.C, shall retain their share of the Partnership's Net Profits or Net Losses, cash flow, and capital interests would be allocated to such General Partners had they remained General Partners. The removed General Partners, or any Affiliates thereof, subject to Sections 9.1.B and 9.1.C, shall be entitled to receive payment of those fees provided for in Section 6.8 and applicable to calendar years through and including 1990, less any damages (including costs of litigation) incurred by the Partnership as a result of the actions of the removed General Partners. Removal under Sections 9.1 or 9.2 shall not relieve the General Partner of any obligation owing by such General Partners to the Partnership or any Partner, nor shall such removal constitute a waiver of any claim the Partnership or any Partner may have against the removed General Partners.

9.2 Withdrawal. The General Partners may not resign or withdraw from the Partnership without first providing the Partnership with 60 days prior written notice thereof and successor General Partners satisfactory to the Limited Partner, and without an opinion of counsel of their choice that their withdrawal will not affect the status of the Limited Partner as such under the Idaho Uniform Limited Partnership Act, or cause the termination of the Partnership for federal income tax purposes. The Limited Partner will not unreasonably withhold approval of successor General Partners proposed by the withdrawing General Partners.

9.3 Transfer of Interests. Except as otherwise provided herein, the General Partners may not assign, transfer, mortgage, or sell any portion of their interests in the Partnership, or enter into any agreement as the result of which any person shall acquire an interest in the Partnership, without the consent of the Limited Partner; provided, however, this Section 9.3 shall not apply to a sale, transfer, or assignment pursuant to a removal of the General Partners in accordance with Sections 9.1 or 9.2. A transferee of the General Partners' interests in the Partnership shall not, without full compliance with the terms of Sections 9.1 and 9.2, become a General Partner in the Partnership.

9.4 Continuing Liability. In the event the General Partners withdraw from the Partnership or sell, transfer, or assign their entire interest pursuant to Section 9.3, such General Partners shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partners and the Partnership prior to the effective date of such occurrence.

Correspondingly, such General Partners shall be free of any such obligations or liabilities incurred on account of the activities of the Partnership after such time.

9.5 Admission of Successor or Additional General Partner. The General Partners may, at any time, designate additional Persons to be General Partners, subject to the then General Partners agreeing upon the Partnership interests of such Persons as a General Partners, and provided that the interests of the Limited Partners shall not be affected thereby. Such additional Persons shall become a successor or additional General Partners upon assuming the obligations of the Partnership, as herein provided, as of the date of their admission and meeting the following conditions:

A. The admission of such Persons shall have been consented to by the Limited Partner and, if required, by the FMHA;

B. If such Persons are corporations or other entities, they shall have provided the Partnership evidence satisfactory to counsel for the Partnership of their authority to become General Partners;

C. Counsel for the Partnership at the expense of a withdrawing General Partners in the case of admission of a successor General Partners, or at the expense of the Partnership in the case of admission of additional General Partners, shall have rendered an opinion that the admission of the designated Persons is in conformity with the Idaho Uniform Limited Partnership Act, and that none of the actions taken in connection with the admission of the designated Persons will cause the termination or dissolution of the Partnership, or will cause it to be classified other than as a Partnership for federal income tax purposes; and

D. Any required or appropriate amendments and filings required under the Idaho Uniform Limited Partnership Act shall have been properly performed.

9.6 Effect of Bankruptcy, Death, Withdrawal, Dissolution, or Incompetency of General Partners.

A. If an Event of Dissolution occurs with respect to the General Partners, the business of the Partnership shall be continued with Partnership by any remaining General Partners; provided, however, that if there are no remaining General Partners, the Partnership shall be dissolved or continued subject to the provisions of Section 9.7.

B. Assuming the presence of at least one remaining General Partner, upon an Event of Dissolution with respect to the General Partners, departing General Partners shall immediately cease to be General Partners and their interests as General Partners shall terminate; provided, however, that such termination shall not affect any rights, obligations, or liabilities of the bankrupt, deceased, dissolved or incompetent General Partners then existing, or the value, if any, of the interests of such General Partners in this Partnership. Said departing General Partners shall, however, retain their interests in the Partnership thereafter as Special Limited Partners.

C. The remaining General Partners, if any, are authorized and shall immediately:

1. Give notice to the Limited Partner of the occurrence of such event; and

2. Make, execute, and file for recordation such amendments or documents or other instruments as are necessary to reflect the termination of the interest of the departing General Partner as a General Partner and the substitution of him as a Special Limited Partner, if applicable. The consent of the Limited Partner to such amendment is hereby granted.

9.7 Continuation of the Partnership. Upon the happening of an Event of Dissolution with respect to any sole General Partner, the Partnership shall terminate unless within 120 days thereafter the Limited Partner elects to continue the Partnership. In the event of such election, the Partnership shall not terminate, but shall continue upon the selection of a successor General Partner or General Partners, which shall be done concurrently with the election to continue the Partnership.

## ARTICLE X

### ACCOUNTING

10.1 Books and Records. The Partnership's books and records, including the list of all Partners, this Agreement, and all amendments to this Agreement, shall be maintained at the principal office of the Partnership, or such other place as the General Partners may determine, and shall be open to inspection and examination by the Limited Partner or its duly authorized representatives at all reasonable times.

10.2 Books of Account. The General Partners shall, for income tax purposes, keep and maintain, or cause to be kept and

maintained, adequate books of account of the Partnership. Such books of account shall be kept on the accrual basis.

10.3 Accountants and Auditors. The Accountants shall prepare, for execution by the General Partners, all tax returns of the Partnership. The Auditors (who may also be the Accountants) shall audit and certify all annual financial reports to the Partners in accordance with generally accepted auditing standards. Subject to the provisions of Section 10.4, all elections required or permitted to be made by the Partnership under the Code shall be made by the General Partners, after consultation with the Accountants, in such manner as will be most advantageous to the Limited Partner.

10.4 Special Basis Adjustments. In the event of a transfer of all or any part of the limited partnership interests of the Limited Partner for a consideration in excess of the adjusted basis for such limited partnership interests for federal income tax purposes, the Partnership shall elect, pursuant to Section 743 of the Code (or corresponding provisions of succeeding law), to adjust the basis of the Partnership's assets under Section 754 of the Code (or corresponding provisions of succeeding law); provided, however, that in the event of the death of a transferee of the Limited Partner, such adjustment shall be made only if the holders of the majority of limited partnership interests in the Partnership determine such election to be advantageous. Notwithstanding anything contained in Article IV, any adjustments made pursuant to said Section 754 shall affect only the successor in interest to the deceased transferee of the Limited Partner. Each Partner will furnish the Partnership all information necessary to give effect to such election.

10.5 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

10.6 Tax Returns and Related Matters. The General Partners, at Partnership expense, shall cause income tax returns for the Partnership to be prepared and timely filed with the appropriate authorities. Blair Reiley shall be the "Tax Matters Partner" for purposes of Section 6231(a)(B) of the Code. The Tax Matters Partner shall not, without the prior written consent of the Limited Partner, enter into any settlement with the Internal Revenue Service in any tax audit, or during judicial review thereof.

10.7 Reports. The General Partners shall, at Partnership expense, cause to be prepared and delivered to each Partner:

A. Within 75 days after the expiration of each Partnership fiscal year, Partnership information necessary for

the preparation of the Limited Partners' federal and state income tax or information returns, and a copy of the Partnership's federal and state income tax returns;

B. Within 90 days after the expiration of each Partnership fiscal year, audited financial statements prepared by an independent certified public accountant, according to the method of accounting used for federal income tax purposes and according to FmHA requirements. Financial statements shall include a balance sheet and statement of income or loss;

C. Within 30 days after the end of each calendar month and calendar quarter, respectively, and for as long as those reports are required by the FmHA, monthly reports and quarterly reports of Project operations, including a comparison of budgeted expenditures and actual expenditures;

D. Contemporaneously with their submission to FmHA, copies of all year-end reports required by the FmHA, including, but not limited to, FmHA End-of-Year Reports and Operations Budgets;

E. Within 10 days after receipt by the Partnership, copies of all FmHA periodic inspection reports;

F. Within 10 days, such other documents or reports as may be reasonably requested by any Partner;

G. Within 10 days after the occurrence, notice of the occurrence of any event which has a material adverse effect upon the Project;

H. Within 75 days after the expiration of each Partnership fiscal year, a table comparing the projections of taxable income previously indicated in the Partnership's financial projections with the actual results for the fiscal year; and

I. Within 30 days after the end of any calendar quarter of occurrence, a detailed report regarding: (i) a material default by the Partnership under any Project documents or in payment of any mortgage, taxes, interest or other obligation on secured or unsecured debt; (ii) the reduction of termination of any revenue by application of funds therein for purposes materially different from those for which such reserve was established; (iii) the receipt of any notice by the General Partners of a material fact which may substantially affect further distributions; or (iv) the pledge or collateralization by any Partner of their interests in the Partnership.

## ARTICLE XI

### TERMINATION AND DISSOLUTION

11.1 Dissolution. The Partnership shall be dissolved upon the earliest to occur of the following:

A. An Event of Dissolution with respect to a sole General Partner, unless continued in accordance with Section 9.7;

B. The Limited Partner's election to dissolve the Partnership;

C. The term of the Partnership expires; or

D. The Sale, transfer, or other disposition of the Project.

In no event, however, shall the Partnership terminate if such termination would result in a violation of any FmHA Regulatory Agreement to which the Partnership is bound.

11.2 Distribution of Assets. Upon a dissolution of the Partnership, unless it is continued pursuant to Sections 9.6 or 9.7, the General Partners (or, if there is no General Partner then remaining, such other Person(s) designated by the Limited Partner) shall take full account of the Partnership's assets and liabilities, shall liquidate the assets as promptly as is consistent with obtaining the fair value thereof, and shall apply and distribute the proceeds therefrom in accordance with Section 4.5. If at the time of liquidation the General Partners (or, if there is no General Partners, the Limited Partner) shall reasonably determine that an immediate sale of part of all of the Partnership's assets would cause undue loss, the General Partners (or, if applicable, the Limited Partner) may, in order to avoid loss, and after consultation with the Limited Partner either defer liquidation and retain all or a portion of the assets, or distribute all or a portion of the assets to the Partners in kind. In the event that there is an election to distribute such assets in kind, the assets shall first be assigned a value (by appraisal of a professionally-qualified appraiser). Any unrealized appreciation or depreciation in value of the assets shall be allocated to the Partners' capital accounts, as if such assets had been sold, in the manner described in Article IV, and then such assets shall then be distributed to the Partners as provided herein. In applying the preceding sentence, the Partnership's assets shall not be assigned a value less than the unamortized principal balance of any loan secured thereby.

## ARTICLE XII

### FmHA REGULATIONS

FmHA Regulations. Notwithstanding anything to the contrary herein, for so long as any of the FmHA commitments are in effect, the following shall apply, (i) each of the provisions of this Agreement shall be subject to and the General Partners covenant to act in accordance with, the Project Documents; (ii) each of the provisions of this Agreement shall be subject to FmHA regulations; (iii) the Project Documents shall govern the rights and obligations of the Partners, their heirs, executors, administrators, successors, and assigns to the extent expressly provided therein; (iv) upon any dissolution of the Partnership or any transfer of the Project, no title or right to the possession and control of the Project, and no right to collect the rent therefrom, shall pass to any person who is not, or does not become, bound by the Project Documents and other FmHA documents in a manner satisfactory to the FmHA; (v) the affairs of the Partnership shall be subject to FmHA regulation and no action shall be taken which would require the consent or approval of the FmHA unless the same is first obtained; and (vi) any conveyance or transfer of title to all or any portion of the Project required or permitted under this Agreement shall in all respects be subject to all conditions, approvals, and other requirements of the FmHA rules and regulations applicable thereto. No new Partner shall be admitted to the Partnership, and no Partner may withdraw from the Partnership or be substituted for a Partner, without the consent of the FmHA (if such consent is then required). The General Partners shall at all times hold and maintain a financial interest of not less than 5% in the Partnership. No amendment to this Agreement relating to matters governed by FmHA regulations shall become effective until the prior written consent of FmHA to such amendment has been obtained (if such consent is then required).

## ARTICLE XIII

### MISCELLANEOUS

13.1 Notices. Notices to the General Partners shall be sent to the address of the General Partners set forth in Section 1.3. Notice to the Limited Partner shall be sent to their addresses as set forth in 1.3. Both the General Partners and the Limited Partner may require notices to be sent to a different address by giving notice to the other in accordance with this Section 13.1. Any notice or other communication required or permitted hereunder shall be in writing, and shall be deemed to have

been given as and when delivered personally, given by prepaid telegram, or mailed first class, postage prepaid, to such Partner at such address.

13.2 Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them respecting the subject matter of this Agreement.

13.3 Headings. All article and section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any Article or Section.

13.4 Certain Provisions. If the operation of any provision of this Agreement would contravene the provisions of the Idaho Uniform Limited Partners Act, or would result in the imposition of general liability on the Limited Partner, such provision shall be void and ineffectual.

13.5 Saving Clause. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

13.6 Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular, or plural as the identity of the Person, or Persons may require.

13.7 Binding Agreement. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their successors, heirs, legatees, devisees, assigns, legal representatives, and personal representatives, except as otherwise provided herein.

13.8 Counterparts. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement, binding on all the parties hereto, even though all parties are not signatory to the original or the same counterpart. Any counterpart of either this Agreement or the Certificate, which has attached to it separate signature pages, which together contain the signatures of all Partners, shall for all purposes be deemed a fully executed instrument.

13.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Idaho.

13.10 Initial Registered Agent and Registered Office.  
The registered agent for the Partnership shall be Blair Reiley and the registered office shall be the address of 102 Estrella Vista, Idaho Springs, Idaho 80911, as set forth in Section 1.3.

13.11 Attorneys' Fees. In the event suit or action is brought to enforce this Agreement, the prevailing party shall be entitled to recover its attorneys' fees incurred and costs, to include the expense of any expert witnesses, both at trial and on appeal.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written, and declared under penalty of perjury that they have examined the foregoing Agreement and to the best of their knowledge and belief it is true, correct, and complete.

GENERAL PARTNERS:

Blair Reiley

Louis Buchsleb

R. S. Palmer

LIMITED PARTNER:

HARBOR VISTA ASSOCIATES  
LIMITED PARTNERSHIP:

By

General Partner

WITHDRAWING INITIAL  
LIMITED PARTNERS:

Blair Reiley

Louis Buchsleb

R. S. Palmer

STATE OF <sup>Washington</sup> IDAHO )  
 ) ss.  
County of Chelan )

The foregoing instrument was acknowledged before me, the undersigned Notary Public for the State of Idaho, this 3<sup>rd</sup> day of September, 1985, by ~~BLAIR REILEY~~, LOUIS BUCHSIEB, and ~~R. S. PALMER~~, in their capacities as General Partners of Harborview Associates, an Idaho limited partnership, individually as General Partners, on behalf of the Partnership, and individually as Withdrawing Limited Partners.

Ra Jean Slattery  
NOTARY PUBLIC FOR IDAHO  
Residing at: Chelan  
My Commission Expires: 9/9/87

STATE OF OREGON )  
 ) ss.  
County of Multnomah )

The foregoing instrument was acknowledged before me, the undersigned Notary Public for the State of Oregon, this 26<sup>th</sup> day of September, 1985, by ROBERT M. ARCAND, a General Partner of Harbor Vista Associates Limited Partnership, an Oregon limited partnership, individually and on behalf of the Partnership.

Dianna J. Roedel  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: 8-17-89

13.10 Initial Registered Agent and Registered Office.  
The registered agent for the Partnership shall be Blair Reiley  
and the registered office shall be the address of 102 Estrella  
Vista, Idaho Springs, Idaho 80911, as set forth in Section 1.3.

13.11 Attorneys' Fees. In the event suit or action is  
brought to enforce this Agreement, the prevailing party shall be  
entitled to recover its attorneys' fees incurred and costs, to  
include the expense of any expert witnesses, both at trial and on  
appeal.

IN WITNESS WHEREOF, the parties hereto have executed  
this Agreement as of the date first above written, and declared  
under penalty of perjury that they have examined the foregoing  
Agreement and to the best of their knowledge and belief it is  
true, correct, and complete.

GENERAL PARTNERS:

  
Blair Reiley

\_\_\_\_\_  
Louis Buchsieb

  
R. S. Palmer

LIMITED PARTNER:

HARBOR VISTA ASSOCIATES  
LIMITED PARTNERSHIP:

By \_\_\_\_\_  
General Partner

WITHDRAWING INITIAL  
LIMITED PARTNERS:

  
Blair Reiley

\_\_\_\_\_  
Louis Buchsieb

  
R. S. Palmer

STATE OF IDAHO            )  
County of Blaine        ) ss.

The foregoing instrument was acknowledged before me, the undersigned Notary Public for the State of Idaho, this 9th day of September, 1985, by BLAIR REILEY, ~~LOUIS SHERMAN~~SB, and R. S. PALMER, in their capacities as General Partners of Harborview Associates, an Idaho limited partnership, individually as General Partners, on behalf of the Partnership, and individually as Withdrawing Limited Partners.

Pamela H. Hatley  
NOTARY PUBLIC FOR IDAHO  
Residing at: Ketchum  
My Commission Expires: Life

STATE OF OREGON            )  
County of Multnomah        ) ss.

The foregoing instrument was acknowledged before me, the undersigned Notary Public for the State of Oregon, this \_\_\_\_ day of \_\_\_\_\_, 1985, by ROBERT M. ARCAND, a General Partner of Harbor Vista Associates Limited Partnership, an Oregon limited partnership, individually and on behalf of the Partnership.

\_\_\_\_\_  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: \_\_\_\_\_

## Exhibits and Attachments

### Exhibit 1.7.1 Purchase Agreement

#### PURCHASE AGREEMENT

THIS AGREEMENT is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 1985, by and between HARBOR VISTA ASSOCIATES LIMITED PARTNERSHIP, an Oregon limited partnership ("Purchaser"), and BLAIR REILEY, LOUIS BUCHSIEB, and R. S. PALMER (collectively, "Seller").

#### W I T N E S S E T H:

WHEREAS, Seller is the holder of all of the limited partnership interests in and to Harborview Associates, an Idaho limited partnership (the "Partnership") pursuant to the terms of that certain "Amended and Restated Certificate and Agreement of Limited Partnership" dated effective January 1, 1985 (the "Original Agreement");

WHEREAS, Purchaser desires to acquire all of Seller's limited partnership interests in the Partnership, and Seller desires to sell the same, on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the purchase price and the representations and warranties contained herein, the parties hereby agree as follows:

#### AGREEMENT

1. Purchase and Sale. For and in consideration of the purchase price recited in Section 2, below, and subject to the conditions set forth herein, Seller hereby sells, conveys, transfers, and assigns to Purchaser all of Seller's limited partnership interests in the Partnership as set forth in the Original Agreement (herein, the "Interest").

2. Purchase Price. The purchase price for the Interest shall be \$110,750, together with interest thereon, as set forth below, in the sum of \$16,170, to be accrued by Purchaser and paid to Seller as follows:

A. Purchase Price. The purchase price of \$110,750 shall be accrued on the date of this Agreement and paid as follows:

<u>AMOUNT</u>	<u>DATE</u>
\$ 1,261	Date of this Agreement
12,647	March 15, 1986
39,439	March 15, 1987
28,946	March 15, 1988
18,140	March 15, 1989
<u>10,317</u>	March 15, 1989
<u>\$110,750</u>	TOTAL

B. Interest. Interest in the sum of \$16,170 shall be accrued by Purchaser as follows:

<u>AMOUNT</u>	<u>DATE</u>
\$ 2,107	Date of this Agreement
6,323	January 1, 1986
4,224	January 1, 1987
2,419	January 1, 1988
960	January 1, 1989
<u>137</u>	January 1, 1990
<u>\$16,170</u>	TOTAL

and paid to Seller as follows:

<u>AMOUNT</u>	<u>DATE</u>
\$ 847	Date of this Agreement
2,535	March 15, 1986
436	March 15, 1987
2,419	March 15, 1988
960	March 15, 1989
<u>137</u>	March 15, 1990
<u>\$ 7,334</u>	TOTAL

The remaining \$8,836 of the interest payable shall be paid only to the extent of 95% of the Net Cash Flow, as such term is defined in the Amended and Restated Certificate and Agreement of Limited Partnership, of even date herewith (the "Amended Agreement"), distributed to Purchaser from the Partnership. If such Net Cash Flow is sufficient in the year indicated for payment above, Purchaser's payment shall be made within 10 days of Purchaser's receipt from the Partnership of its distribution thereof. If the Partnership's Net Cash Flow is insufficient, then any

amounts not paid shall be deferred and paid to the extent of 50% of the Net Cash Flow distributed to Purchaser from the Partnership in succeeding years. If the Partnership's Net Cash Flow during its succeeding years is insufficient, then any amounts still not paid shall be paid from Net Cash Proceeds upon a Sale or Refinancing of the Project, or Dissolution of the Project, as such terms are defined in the Amended Agreement.

3. Reduction in Purchase Price. If the U.S. Congress passes federal tax legislation during 1985 or 1986, which becomes law in 1985 or 1986, and which effects a reduction in the maximum federal individual tax rates, presently 50%, the purchase price installments for each calendar year affected by such reduction shall be reduced by a dollar amount equal to the product of: (i) purchaser's total Capital Contributions (as that term is defined under the Agreement of Limited Partnership) to the Partnership, plus Purchaser's purchase price for its Interest hereunder, including interest provided for in Section 2.B, less any portion of the Limited Partner's Capital Contributions payable from the Partnership's Net Cash Proceeds (as those terms are defined under the Agreement of Limited Partnership), divided by six, and multiplied by (ii) the percentage change in the maximum federal income tax rate (i.e., a change from a 50% rate to a 40% rate would constitute a 20% change in the minimum federal income tax rate; and (iii) prorated to the extent the change does not affect taxable income for a full calendar year. This formula reduction shall apply for each successive change in the maximum federal income tax rate adopted during 1985 or 1986, that becomes law in 1985 or 1986, and that effects a reduction in the maximum federal taxable income tax rate for the years 1985 through 1990.

4. Representations and Warranties of Seller. Seller represents and warrants that Seller owns all right, title, and interest in and to the Interest and that there are no claims of any third parties against or with respect to the Interest. Seller further represents and warrants that the terms of the Original Agreement remain in full force and effect and have not been amended or revised. The terms of the Amended Agreement are incorporated herein as if set forth in full. The parties hereto agree that a breach of the Agreement of Limited Partnership shall be deemed a breach of this Agreement entitling Purchaser to the offsets, credits, and remedies stated therein. Seller further represents and warrants that the Partnership is an Idaho limited partnership duly organized and validly existing under the laws of such state.

5. Assignment. Neither this Agreement nor any interest therein may be assigned, transferred, or hypothecated without

the prior written consent of the other party hereto, which consent shall not be unreasonably withheld. Any disposition in contravention hereof shall be null and void.

6. Attorneys' Fees. In the event suit or action is brought to enforce this Agreement, the prevailing party shall be entitled to recover its attorneys' fees and costs (including expert witness fees) incurred both at trial and on appeal.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SELLER:

PURCHASER:

HARBOR VISTA ASSOCIATES LIMITED  
PARTNERSHIP

\_\_\_\_\_  
Blair Reiley

By \_\_\_\_\_  
General Partner

\_\_\_\_\_  
Louis Buchsieb

\_\_\_\_\_  
R. S. Palmer

APPROVED:

HARBORVIEW ASSOCIATES

By \_\_\_\_\_  
General Partner

By \_\_\_\_\_  
General Partner

By \_\_\_\_\_  
General Partner

## EXHIBITS AND ATTACHMENTS

### Exhibit 2.33 Real Property Description

#### REAL PROPERTY DESCRIPTION

The land is located in the County of Skagit, State of Washington, and is described as follows:

That portion of the Southeast 1/4 of the Southeast 1/4 of Section 24, Township 35 North, Range 1 East W.M., described as follows:

Beginning at the Southwest corner of Block 6, "PLAT OF HENSLER'S FIRST ADDITION TO THE CITY OF ANACORTES," according to the Plat recorded in Volume 3 of Plats, page 46, records of Skagit County, Washington; thence West 248 feet, more or less, to the East line of a tract conveyed to Anna Allard by Deed recorded in Volume 101 of Deeds, page 587, and the true point of beginning of this description; said point being 230 feet West of the East line of "O" Avenue produced; thence South along the East line of said Anna Allard tract 331.3 feet, more or less, to the North line of a tract conveyed to Lida Phelps by Deed recorded in Volume 35 of Deeds, page 437; thence West on the North line of said Lida Phelps tract 47.19 feet, more or less, to the Northwest corner thereof; thence South on the West line of said Lida Phelps tract 4.70 feet, more or less, to the center line of 28th Street produced; thence West on the said center line of 28th Street to a point South of the Southwest corner of that certain tract conveyed to Donald W. Gilhousen and Shirley M. Gilhousen, his wife, by Deed dated December 16, 1959, recorded under Auditor's File No. 589676; thence North 296 feet, more or less, to the Southwest corner of said Gilhousen tract; thence East along the South line of said Gilhousen tract 150 feet to the Southeast corner thereof; thence North along the East line of said Gilhousen tract, 40 feet to a point West of the true point of beginning, thence East to the true point of beginning.

Exhibits and Attachments

Exhibit 3.2.1 Form of Promissory Note:

NONNEGOTIABLE  
PROMISSORY NOTE

\$56,688

Portland, Oregon  
\_\_\_\_\_, 1985

FOR VALUE RECEIVED, HARBOR VISTA ASSOCIATES LIMITED PARTNERSHIP, an Oregon limited partnership ("Partnership"), hereby promises to pay to HARBORVIEW ASSOCIATES, an Idaho limited partnership ("Harborview"), the principal sum of \$56,688, without interest thereon, payable in installments on the later of March 15 of the indicated year or receipt by the Partnership of Harborview's federal income tax return and Forms K-1, or other forms acceptable for filing under the Internal Revenue Code of 1954, as amended, for the prior calendar year (after the Partnership's review and correction, if necessary), as follows:

<u>YEAR</u>	<u>AMOUNT</u>
1986	\$ 14,918
1987	9,325
1988	10,235
1989	9,850
1990	<u>12,360</u>
TOTAL	<u>\$ 56,688</u>

The amount of such payment of the installments set forth above are subject to deferral, reduction, or adjustment as set forth in the Amended and Restated Certificate and Agreement of Limited Partnership of Harborview Associates, of even date, the terms of which are incorporated herein by this reference, under Section 6.10.C ("Default of the General Partners").

Any amount becoming due and payable hereunder and not paid within 10 days shall thereafter bear interest at 2% over the floating prime rate charged by the Bank of California, N.A., or its successor in interest. If such amount remains unpaid for 10 days following the Partnership's receipt of written notice of its failure to pay such amount, all amounts payable hereunder shall become immediately due and collectible at the option of Harborview.

Payment shall be made in the lawful money of the United States at such place in Idaho as designated by Harborview.

The Partnership shall have the right to prepay, without penalty or charge therefor, the whole or any part of the foregoing amounts.

This instrument may not be assigned, pledged, hypothecated or otherwise transferred. Any disposition in contravention of the foregoing shall be null and void.

If this instrument is placed in the hands of an attorney for collection, the Partnership promises and agrees to pay Harborview's reasonable attorneys' fees and collection costs, even though no suit or action is filed thereon; however, if a suit or action is filed, the amount of such reasonable attorneys' fees shall be fixed by the court, or courts, in which the suit or action including any appeal therein is tried, heard, or decided.

HARBOR VISTA ASSOCIATES LIMITED  
PARTNERSHIP

By \_\_\_\_\_  
General Partner