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FIRST AMENDED CERTIFICATE 26
AND AGREEMENT
OF
LIMITED PARTNERSHIP
OF
HYRUM ASSOCIATES
An Idaho Limited Partnership

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FIRST AMENDED CERTIFICATE
AND AGREEMENT
OF
LIMITED PARTNERSHIP
OF
HYRUM ASSOCIATES,
AN IDAHO LIMITED PARTNERSHIP

THIS Amended Agreement of Limited Partnership (the "Agreement") is made this _____ day of _____, 1985, by and among MARTY D. FRANTZ and CYNTHIA M. FRANTZ (hereinafter together referred to as the "General Partners"), and all of the parties who execute this Agreement as Limited Partners (the "Limited Partners").

WHEREAS, on May 6, 1985, MARTY D. FRANTZ and CYNTHIA M. FRANTZ, as General Partners and MARTY D. FRANTZ as the Initial Limited Partner, executed a Certificate and Agreement of Limited Partnership and filed the Certificate of Limited Partnership (the "Certificate") for the formation of a limited partnership, known as HYRUM ASSOCIATES, an Idaho Limited Partnership ("Partnership") pursuant to the Idaho Limited Partnership Act; and

WHEREAS, the Partnership was formed to own, develop, construct, maintain and operate a multi-family residential housing project for the low and moderate income in Hyrum, Utah, known as Countryside Manor Apartments with permanent mortgage loan financing by the Farmers Home Administration of the U.S. Department of Agriculture under Section 515 of the National Housing Act, as amended; and

WHEREAS, the parties hereto now desire to amend certain of the terms and provisions of the Agreement to allow for the admission of additional Limited Partner, to set forth the entire agreement governing the Partnership in a single instrument, to withdraw the Initial Limited Partners, and to admit Additional Limited Partners and to allow for the filing of an amended Certificate;

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Certificate and Agreement of Limited Partnership filed May 6, 1985 shall be, and the same hereby is, amended to read in its entirety as follows:

I. FORMATION OF PARTNERSHIP

Section 1.01. Formation and Continuation. The undersigned hereby continue the Partnership as a Limited Partnership under the Idaho Limited Partnership Act.

Section 1.02. Name. The name of the Partnership is Hyrum Associates, an Idaho limited partnership.

Section 1.03. Recording of Amended Certificate. Upon the execution of the Amended Certificate and Agreement of Limited Partnership by the parties hereto, the General Partners shall take all actions necessary to assure the prompt recording of an Amended Certificate of Limited Partnership as required by the Idaho Limited Partnership Act and shall take all other necessary actions required by law to perfect and maintain the Partnership as a limited partnership under the laws of State of Idaho.

Section 1.04. Principal Place of Business and Agent for Service of Process. The principal place of business of the Partnership shall be North 12425 Gem Shore Road, Hayden Lake, Idaho 83835, or at such other location as may be determined by the General Partners, upon written notice to the Limited Partners. The Partnership's Agent for service of process shall be Marty D. Frantz at the office of the principal place of business.

Section 1.05. Name and Place of Residence of Partners. The name and address of each of the General and Limited Partners is designated respectively on the signature pages to this Agreement.

Section 1.06. Term. The term of the Partnership shall continue for a period of sixty (60) years from May 6, 1985 unless the Partnership is sooner dissolved in accordance with the provisions of this Agreement.

II. PURPOSE AND BUSINESS OF THE PARTNERSHIP

Section 2.01. Character of the Business. The business of the Partnership shall be to acquire real property and to hold such property for economic gain; to construct upon such property and to then operate, manage, mortgage, lease and otherwise deal with, and dispose of, a housing project known as Countryside Manor Apartments (the "Project"), financed under the Rural Rental Housing (RRH) program of the Farmers Home Administration (FmHA) of the United States Department of Agriculture, and to do all other acts which may be necessary, incidental, or convenient to the foregoing.

Section 2.02. Powers. With reference to the Project, only the Partnership is authorized:

(a) To acquire the real property and to hold such property for economic gain;

(b) To construct upon such property and then to operate and manage an apartment project and related facilities;

(c) To mortgage, sell, transfer and exchange or otherwise convey and encumber such property and the improvements to be built thereon in furtherance of any and all of the objectives of its business in connection with the Project;

(d) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the development of the Project, including but not by way of limitation, any contracts with FmHA or the United States Department of Housing and Urban Development which may be desirable or necessary to comply with the requirements of Section 515 of the National Housing Act, as amended (42 U.S. Code 1471 et seq.), and the rules and regulations of FmHA thereunder, relating to the regulation or restriction on mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operations;

(e) To rent dwelling units in the project from time to time for periods of not less than thirty (30) days, in accordance with applicable federal, state and local regulations, collecting rents, paying expenses, distributing proceeds, subject to any requirements which may be imposed by FmHA, the permanent lender;

(f) To execute a nonrecourse note and mortgage under the Rural Rental Housing (RRH) program and to execute a Loan Agreement, Note, Mortgage, and any other documents required by FmHA in connection with the loan. Upon execution, the Loan Agreement shall be binding upon the Partnership and shall remain binding upon the Partnership so long as the project is encumbered by a mortgage under the RRH program. Any incoming partner shall, as a condition of receiving limited partnership interests in the Partnership, agree to be bound by the terms of the note, mortgage and Loan Agreement and other documents required in connection with the FmHA loan to the same extent and on the same terms as the others partners. So long as such Loan Agreement is in effect, the Partnership shall not be dissolved without the consent of FmHA, if required and if any provision of this Agreement shall contradict, modify or change in any way the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail and govern. Upon any

dissolution, no title or right to collect rents from the Project shall pass to any person who is not bound by the Loan Agreement in a manner satisfactory to FmHA. The execution of this Partnership Agreement by each Partner shall constitute such consent.

III. PARTNERS AND CAPITAL CONTRIBUTIONS

Section 3.01. Contributions of the General Partners. The General Partners will contribute to the Partnership all right, title and interest which they may have in the real property on which the Project is to be built, their interest in any and all agreements for financing commitments, and all interest in the developmental work performed in securing the FmHA loan.

Section 3.02. Contributions of Limited Partners. There shall be five (5) units of Limited Partnership interests, each unit to contribute \$50,000 to the capital of the Partnership. Half units will be permitted in the General Partner's sole discretion with capital adjusted accordingly. Each Limited Partner shall contribute to the capital of the Partnership cash in the amount set forth next to his name and signature on the signature page to this Agreement. The aggregate contributions of the Limited Partners for all five units shall be \$250,000 in six (6) installments, payable, per unit, as follows:

(a) \$5,100 upon execution of a subscription agreement and entry into the Partnership of each Limited partner;

(b) \$11,900 upon the later of 1) issuance of a certificate of substantial completion by the project architect, 2) closing of the FmHA mortgage on a non-recourse basis, or 3) March 15, 1986.

(c) \$11,300 on March 15, 1987, provided the Project is not in foreclosure and conditions for prior payments have been met.

(d) \$9,000 on March 15, 1988, provided the Project is not in foreclosure and conditions for prior payments have been met.

(e) \$7,100 on March 15, 1989, provided the Project is not in foreclosure and conditions for prior payments have been met.

(f) \$5,600 on March 15, 1990, provided the Project is not in foreclosure and conditions for prior payments have been met.

Section 3.03. Further Conditions. The obligations of the Limited Partners to make the installment payments set forth in Section 3.02 hereof shall be further conditioned on the following:

(a) Foreclosure shall be defined as the filing in an appropriate court, a legal action by FmHA to declare in default the Project Note and Mortgage, or the offer by the Partnership to grant a Deed in Lieu of Foreclosure.

(b) In the event the project mortgage is in foreclosure, the obligation of the Limited Partners to make capital contributions becoming due thereafter shall be discharged.

(c) The General Partners shall give the Limited Partners no less than fifteen (15) days advance written notice of the due date of the subsequent installments.

Section 3.04. Adjustment to Capital Contribution of the Partners.

(a) The second installment of capital contribution shall be reduced Ninety-five Cents (\$0.95) for each Two Dollars (\$2.00) of loss allocated to the General Partners and the Initial Withdrawing Limited Partner for the period between November 15, 1985, and the date of entry into the Partnership of the last additional Limited Partner. Such reduction in the second installment shall result in a dollar-for-dollar reduction in the second installment of the Development Fee due the General Partners pursuant to Section 4.01.

(b) Should Federal Income Tax proposal which becomes law reduce the current maximum tax bracket of fifty percent for individuals, then each of the Limited Partners capital contributions not yet due when such proposal becomes law, shall be reduced by the same percentage change in the current maximum tax bracket (or the weighted average if more than one applies in any given year) effective for the year each subsequent capital contribution is due, provided no reduction under this provision shall exceed 20% of the capital contribution due. In determining reductions to be made under this subparagraph (b), all other adjustments provided in this Section 3.04 shall be made first. To the extent of such reductions in capital to the Partnership there shall be a dollar for dollar adjustment in the Development Fee and interest due the General Partners pursuant to Section 4.01.

(c) Decreases in the projected mortgage amount of \$878,898 will result in proportionate decreases in the total capital contribution of the Limited Partners as follows:

The original total capital contribution of the Limited Partners shall be adjusted proportionately by the same percentage as the percentage decrease in the original projected mortgage of \$878,898, and shall be offset against capital installments remaining to be paid on a pro rata basis. All such decreases shall be reflected in the payment of the Development Fee to the General Partners (Section 4.01).

(d) The Promissory Note is automatically modified by any such decrease in the capital contributions pursuant to this section 3.04.

(e) Except as provided above, the Limited Partners shall have no obligation to advance further funds to the Partnership in the form of loans or capital contributions except as may be necessary to restore negative capital accounts under Section 5.06 herein.

Section 3.05. Default in Making Capital Contributions; Remedies of Partnership in Event of Default.

(a) In order to secure to the Partnership the balance of the capital contributions to be made by the Additional Limited Partners after execution of this Agreement, each Additional Limited Partner, by execution of this Agreement, expressly consents to the operation of the provisions of this Section 3.05.

(b) If a Limited Partner fails to pay any installment of his capital contribution when due, the General Partners will provide written notice of such default to the other Limited Partners. The other Limited Partners may give written notice to the General Partners of intent to purchase the defaulting Limited Partner's interest within a period of seven (7) business days from receipt of said notification from the General Partners. Payment for the interest must be made by the other Limited Partners within ten (10) days of acceptance of the purchase offer. The interest to be sold will include all net income, net losses and distributions attributable to the interest which have not been distributed or previously allocated to defaulting Limited Partner(s) in a tax return filed by the Partnership. However, should the sale or transfer of all of the defaulting Limited Partners' interest under this section cause a termination of the Partnership for tax purposes or violate any federal or state law, then such interest shall be sold or transferred in

portions, or partially in one tax year and part in another, or in such manner as the General Partners deem will not cause a termination of the Partnership for tax purposes or will not violate federal or state law, until all of such interest is transferred or sold. The price of the defaulting Limited Partner's interest shall be:

(i) an amount in cash equal to 1 $\frac{1}{2}$ of the amount of cash contributed by the defaulting Limited Partner before default; and

(ii) the agreement to make such additional contributions to the Partnership required to be made by the defaulting Limited Partner.

In the event the General Partners deem it prudent to transfer a part of the defaulting Limited Partners interest in any given year, then the above price shall be pro rated accordingly.

(c) If two or more of the other Limited Partners wish to purchase the interest, and if those Limited Partners are unable to agree as to the apportionment between them, each may purchase an equal share of the interest. If the other Limited Partners fail to purchase any or all of the interest, or if there are no other Limited Partners, the General Partners must cause the interest to be sold or, at their option, to purchase it. Absent an agreement to the contrary, if the General Partners purchase the interests, they will do so in proportion to their respective shares in profits and losses of the Partnership.

(d) The obligations of the defaulting Limited Partner will be extinguished only by and to the extent of contributions made by any person or persons who have purchased his interest. However, such defaulting Limited Partner shall remain liable to the Partnership for any damages caused by his default as well as the reasonable costs incurred by the Partnership in transferring his interest. The General Partners may pursue any action available in order to obtain payment of delinquent installments, damages and/or costs of transferring such interests and shall be entitled to reasonable attorneys' fees in pursuing such action, whether or not suit is filed, and may direct that the 1 $\frac{1}{2}$ purchase price be paid only after deducting all such costs.

(e) After the Partnership receives the consideration set forth in Section 3.05(b) and the defaulting Limited Partner has been paid the cash set forth in said Section (less costs of transfer), a purchaser of an interest of a defaulting Limited Partner may be admitted as a Substitute Limited Partner, only

pursuant to the provisions of Section 9.03.

(f) A defaulting Limited Partner may cure a default on any unsold portion of his interest only by tendering to the General Partners, prior to a sale or transfer, a certified check in the amount of the defaulted capital contribution (or if for an unsold portion then a pro rated amount) plus interest at the highest rate allowed by Idaho law during the period of default, but not to exceed 18%, plus the reasonable costs incurred by the Partnership to that date in attempting to cure the default and transfer such interest.

Section 3.06. Advances by General Partners.

(a) The General Partners have advanced \$46,258 to the Partnership to close the FmHA loan. This advance shall be repaid out of the Limited Partners' capital contributions together with interest at 15% per annum. The General Partners shall loan the Partnership the Working Capital Deposit without interest as part consideration for the Operating Deficit Fee, and any unused Working Capital Deposit shall be returned to the General Partners upon FmHA approval.

(b) The General Partners have made some, and may make additional advances to the Partnership for items such as architectural fees, permits, surveys, etc. All such advances shall be repaid to the General Partners from the proceeds of the FmHA loan without interest, to the extent they are mortgageable items under FmHA rules and regulations.

(c) After completion of construction of the Project the General Partners may elect to advance funds to the Partnership to the extent cash is not available from the rental activities of the Partnership. Such advances, if any, shall be evidenced by notes bearing interest at the highest rate allowed under Idaho law, but not to exceed twelve percent (12%) per annum, and shall be repaid as described in Section 5.07(a)(iii) hereof, or if approved by FmHA, from project operations, except no interest will be paid in such case.

Section 3.07. Admission of Additional Limited Partners.
The General Partners may not admit to the Partnership Additional Limited Partners without the consent of Limited Partners holding a majority of Limited Partnership interests and the approval of FmHA. Upon admission of Additional Limited Partners, an amended Certificate to this Agreement reflecting such admission shall be filed.

IV. FEEES AND OTHER COMPENSATION

Section 4.01. Development Fee. As consideration for the work and services necessary to develop the Project, and for preparation, and closing of the construction loan supervision of the architect, construction contract, coordination of draw requests, and acting for the Partnership in order to complete and comply with the construction contract, assigning all interest they have in the development of the Project to the Partnership and agreeing to fund any construction cost overruns not funded by FmHA and advancing to the Partnership \$46,258 in order to close the construction loan, the General Partners shall receive an aggregate development fee, return of the advance and interest from the Partnership of \$113,665 subject to Section 3.04. Said fee and loan shall be payable from the capital contributions made by the Partners as received by the Partnership beginning with the first installment as follows.

- (a) \$2,161 upon the Partner's first capital contribution;
- (b) \$5,005 upon the Partners' second installment of capital contribution;
- (c) \$36,849 upon the Partners' third installment of capital contribution;
- (d) \$28,500 upon the Partners' fourth installment of capital contribution;
- (e) \$23,950 upon the Partners' fifth installment of capital contribution;
- (f) \$17,200 upon the Partners' sixth installment of capital contribution.

The payments of the fee and return of the advance paid to the General Partners shall include interest on the unpaid balance at the rate of fifteen percent (15%) per annum from September 1, 1985 to the date of each subsequent installment payment. To the extent such loan payment of Development Fee return of advance and interest shall exceed the amount available from capital contributions, the interest rate shall be reduced so as not to exceed available funds.

Section 4.02. Partnership Management Fee. (a) The General Partners shall provide the following services to the Partnership:

(1) Act for the Partnership in coordinating all occupancy rental dates and rent-up activities.

(2) Hire, contract for, and remove as necessary, property management services in the name of the Partnership and supervise such property manager to assure compliance with sound management principles and FmHA rules and regulations.

(3) Establish and maintain Partnership books, accounts, and accounting systems.

(4) Arrange for preparation of Partnership tax returns, balance sheets and financial reports both for appropriate governmental agencies and the Limited Partners.

(5) Arrange for professional services as necessary.

(6) Review and modify the above activities as necessary to adjust to changes in FmHA regulations, tax codes and local statutes and regulations in order to maintain current compliance therewith.

(8) Do all other acts which are necessary to the proper conduct of Partnership affairs including contracting for the performance of any or all of the above services to be performed by others, but such contract shall not relieve the General Partners of overall supervisory responsibility for such services.

(b) The General Partners shall receive as a Management Fee for such services from the Partnership a total of \$35,000. Such fee shall be paid as follows:

(1) \$3,000 upon the Partners' second capital contribution, and \$8,000 upon each of the subsequent capital contribution until the full fee of \$35,000 is paid.

(2) Beginning in 1991 the General Partners shall receive a Partnership Management Fee of \$700 per year from the Partnership for such services, paid on a cumulative basis from the available Limited Dividend allowed to be paid to the Partnership under FmHA regulations.

(c) In addition, the General Partners shall be reimbursed for their out-of-pocket expense incurred, after the effective date of the FmHA interest credit agreement, in providing the above services. Such payment shall be limited to amounts approved by FmHA as payable from Project operations and shall be paid only if the full amount of the annual Limited Dividend is paid.

Section 4.03. Property Management Fee. A Property Management Agent shall receive a property management fee in the amount approved by FmHA. The General Partners may act as Property Management Agent by themselves or through an affiliate. In such case the General Partners shall receive such fee as is approved by FmHA plus such expenses as are authorized by FmHA to be paid from Project operations for such services.

Section 4.04. Legal and Accounting. The Partnership shall pay to Gary E. Suoja, Esquire, a fee of \$8,500. The fee is for formal opinions relative to the tax status of the Partnership and tax advice and for securities advice, legal services required by the Partnership for construction and FmHA loan closings and opinions required by FmHA. The Partnership shall also pay to Lux and Kolp, Inc. P.S., C.P.A.'s \$2,500 for accounting services and providing the Partnership tax return for 1985.

Section 4.05. Other Fees and Contracts.

(a) The General Partners shall enter into other agreements for services for the Partnership, such as: professional services relative to FmHA loan closing and advice on contracts, appraisals, architectural agreements, etc. These agreements shall be paid for out of mortgage proceeds and Project operations as allowed by FmHA regulations or out of available cash flow from Project operations.

(b) The General Partners have also entered into consulting and other agreements as they deem necessary to insure the operating viability of the Project. Such agreements are to be paid for only from the Partners Capital Contributions and not by Project operation and may call for fees to be paid to the General Partners.

(c) The General Partners have entered into a construction contract with Frantz Construction Company, an affiliate of the General Partners. The General Partners will participate in the construction profits of that contract, if any.

(d) The General Partners or an affiliate may act as the real estate agent for the Partnership upon the sale of the Project, provided any fee paid shall be for services actually rendered and shall not exceed the typical rate for comparable services in the market area.

V. PARTNERSHIP INTERESTS

Section 5.01 Definition of Partnership Interests.

Partnership Interest is defined as the interest in the current profits and losses derived from the business operations of the Partnership which each partner is allocated under Section 5.02(a).

Section 5.02. Allocation of Profits and Losses.

(a) All profits and losses shall be allocated on a monthly basis to the respective Partners of the Partnership using a mid-month convention, except as set forth in Sections 5.02(b), and 5.06 as follows:

Limited Partners, in accordance with their interests	95.0%
Marty D. Frantz	2.5%
Cynthia M. Frantz	<u>2.5%</u>
TOTAL	100.0%

(b) For the year in which Limited Partners are admitted to the Partnership, each Additional Limited Partner's allocable share of the profits and losses of the Partnership is limited to a share of those profits and losses incurred by the Partnership during the portion of the year in which he is a member of the Partnership. To determine when such losses were incurred, the losses will either be allocated ratably to the Partners monthly using a mid-month convention, or the Partnership will be separated into two or more segments and losses incurred during each segment will be allocated to and among the persons who were Partners during each such segment. The General Partners shall elect the method they think is most advantageous to the majority of Limited Partners.

Section 5.03. Determination of Profits and Losses. Profits and losses for all purposes of this Agreement shall be determined in accordance with the accounting method followed by the Partnership for Federal Income Tax purposes, except that any adjustment made pursuant to Section 743 of the Internal Revenue Code of 1954 shall not be taken into account. Every item of income, gain, loss, deduction, credit, tax preference or recapture entering into the computation of such profit or loss, or applicable to the period during which such profit or loss was realized, shall be considered allocated to such Partner in the same proportion as profits and losses are allocated to such Partner; provided, however, in any year in which a Partner sells, assigns or transfers all or a portion of his interest, the amount of profits and losses under Section 5.02 attributed to such interest shall be equal to the total amount of profit, loss, or gain allocated to such interest for the portion of the year until the date of sale, transfer or default, using the mid-month convention.

Section 5.04. Distribution of Available Cash Flow.

(a) Available cash flow (except for amounts provided for in 5.04(b)) shall be distributed within ninety (90) days after the close of the fiscal year and at such other times as the General Partners shall determine, but not less frequently than annually, as follows:

Limited Partners, pro rata	95.0%
Marty D. Frantz	2.5%
Cynthia M. Frantz	<u>2.5%</u>
TOTAL	100.0%

(b) The General Partners may withhold all or a portion of the available cash flow in their sole discretion, if they determine it is in the best interest of the Project.

Section 5.05. Capital Accounts. A separate Capital Account shall be established by the Partnership for each Partner.

(a) The Capital Account of each Partner shall be increased (credited) by the following:

- (i) total capital contributed by the Partner;

(ii) all profits allocated to the Partner pursuant to Section 5.02 of this Agreement; and

(iii) gains allocated to the Partner pursuant to Section 5.06 of this Agreement.

(b) The Capital Account of each Partner shall be decreased (debited) by the following:

(i) losses allocated to the Partner pursuant to Sections 5.02 and 5.06 of this Agreement; and

(ii) all cash distributions to the Partner pursuant to Sections 5.04, 5.07 or 5.08.

Section 5.06. Allocation of Gains and Losses. Gains and losses realized by the Partnership upon the sale, exchange or other disposition of all, or any portion of the Project which comprises the Partnership assets shall be allocated in the following manner:

(a) All gains (but not losses) shall be allocated among the Partners until the amount of such gain equals said Partner's negative balance (if any) in their respective Capital Accounts at the time of the sale, exchange or disposition, such gain to be allocated pro rata among the negative Capital Accounts if the gain will not equal the sum of the negative amounts. Any Partner with a negative Capital Account following distribution of liquidation proceeds shall be required to restore the amount of the deficit to the Partnership.

(b) All gains in excess of the amount described in Section 5.06(a) shall be allocated to the Partners so that the allocation of gain shall be consistent with the cash distributions provided for in Section 5.07 or 5.08 as applicable.

(c) All losses on the sale, exchange or other disposition of all or any part of the Project shall be allocated among the Partners until the amount of such loss shall equal the positive balance (if any) in their respective Capital Accounts at the time of the sale, exchange or disposition, such loss to be allocated pro rata among the positive Capital Accounts if the loss will not equal the sum of the positive amounts. All losses in excess of such positive Capital Accounts shall be allocated as follows:

Limited Partners	
in accordance with their Interest	70%
Marty D. Frantz	15%
Cynthia M. Frantz	15%
TOTAL	100%

Section 5.07. Distribution of Proceeds from Sale, Refinancing or Liquidation of All the Partnership Property.

(a) In the event that the Partnership sells or refinances the Project, or its assets are liquidated, the net proceeds from any such sale, refinancing or liquidation, including available reserves after payment of mortgage notes or other obligations due to the construction, repair, maintenance or refinancing of the Project, will be distributed and applied by the Partnership in the following order of priority:

(i) To the payment of debts and liabilities of the Partnership from rental operations and expenses of sale, refinancing or liquidation.

(ii) To the setting up of any reserves which the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership, or of the General Partners, arising out of or in connection with the Partnership.

(iii) To the repayment of the principal and interest of notes, if any, as described in Section 3.06 (c) hereof.

(iv) To the repayment to the Partners, Limited and General of their prior capital contributions to the Partnership, less any amounts previously distributed to them, on a pro rata basis.

(v) Any balance then remaining shall be apportioned among all the Partners as follows: thirty percent (30%) to the General Partners in accordance with their capital interests and seventy percent (70%) to the Limited Partners, in accordance with their capital interests. Capital interests as used in this paragraph as well as for all other accounting and Federal Income Tax purposes are the capital interests set forth on the signature pages annexed to this Agreement.

(b) A reasonable time shall be allowed for the orderly liquidation of assets of the Partnership if applicable, and the discharge of liabilities to creditors so as to enable the General Partners to minimize the normal losses attendant upon a liquidation.

(c) The General Partners shall not be personally liable for the return of the capital contributions or advances of Limited Partners or any portion thereof. Any such returns shall be made solely from Partnership assets.

Section 5.08. Distributions of Mortgage Refinancing, of Partnership Assets. Any net excess insurance proceeds or any net proceeds of mortgage refinancing, condemnation, sales of easements, rights-of-way, or similar interest in the property of the Partnership, which is a sale or exchange of major assets (less than 10% total value) of the Partnership or interest therein and other similar items which in accordance with generally accepted accounting principles are attributable to capital, shall be distributed in accordance with Section 5.07 (a)(iv) above and the balance in accordance with Section 5.07(a)(v). All transactions however, involving ten percent (10%) or more of Partnership assets will be distributed in accordance with all of Section 5.07.

Section 5.09. Interest on Capital Contributions. No Partner shall receive any interest on his contribution to the capital of the Partnership. Each Partner by his signature hereto specifically recognizes that any distribution of available cash flow to the Partners in excess of eight percent (8%) of the initial equity (as defined in the rules and regulations of FmHA and the Loan Agreement) in any fiscal year is prohibited by FmHA and that all cash distributions will be subject to the rules and regulations of FmHA and the Loan Agreement and to the General Partners' determinations as set forth in Section 5.04(b).

Section 5.10 Authority of General Partner to Vary Allocations.

(a) It is the intent of the Partners that each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Article V to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article V, the General Partner is authorized and directed to allocate income, gain, loss, deduction, or credit (or item thereof) rising in any year differently than otherwise provided for in this Article V to the extent that, allocating income, gain, loss, deduction, or

credit (or item thereof) not to be permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 5.10 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article V and no amendment of this Agreement or approval of any Partner shall be required.

(b) In varying any allocation (the "new allocation") under Section 5.10(a), the General Partner is authorized to act only after having been advised by counsel to the Partnership that under Section 704(b) of the Code and the Treasury Regulations thereunder, (i) the new allocation is necessary, and (ii) the new allocation is the minimum modification of the allocations otherwise provided for in Article V necessary in order to assure that, either in the then current year or in any proceeding year, each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) is determined and allocated in accordance with this Article V to the fullest extent permitted by Section 704(b) of the Code and the Treasury Regulations thereunder.

(c) If the General Partner is required by Section 5.10(a) to make any new allocation in a manner less favorable to the Limited Partners than is otherwise provided for in this Article V, the General Partner is authorized and directed, insofar as they are advised by counsel to the Partnership that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in a manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Limited Partners as nearly as possible to the allocations thereof otherwise contemplated by this Article V.

(d) New allocations made by the General Partner under Section 5.10(a) in reliance upon the advice of counsel to the Partnership and allocations made by the General Partner under Section 5.10(c) in reliance upon the advice of counsel to the Partnership shall be deemed to be made pursuant to the fiduciary obligation of the General Partner to the Partnership and the Limited Partners, and no such allocation shall give rise to any claim or cause of action by any Limited Partner.

VI. MANAGEMENT POWERS, DUTIES AND RESTRICTIONS

Section 6.01. Management Authority of General Partners.

The General Partners shall manage the Partnership business and shall devote such time to the Partnership as shall be reasonably required for its welfare and success. The General Partners shall not do any act detrimental to the best interests of the Partnership. Except as otherwise expressly provided for in this Agreement, the General Partners shall receive no salary or other compensation for services. Without limitation on any power that may be conferred upon them by law, and except as hereinafter stated, the General Partners together or individually shall have the power to:

(a) Make and enter into such contracts as the General Partners deem reasonably necessary for the efficient conduct and operation of the Partnership business.

(b) Enter into such leases with respect to all or any portion of the Partnership's property, whether or not such leases (including renewal terms) shall extend beyond the date of the termination of the Partnership, at such rental or amount, and upon such terms as they deem proper.

(c) Compromise, submit to arbitration, sue on or defend all claims in favor of or against the Partnership.

(d) Make and revoke any election permitted the Partnership by any taxing authority.

(e) Do all acts they deem necessary or appropriate for the protection and preservation of the Partnership assets.

(f) Obtain and keep in force property, casualty and public liability insurance, in such amounts and upon such terms and with such carriers as will adequately protect the Partnership and its property.

(g) Execute such documents as may be required in all dealings with FmHA in connection with the Project mortgage, including documents necessary to permit an increase in said mortgage as may be approved by FmHA. None of the Partners shall assume personal liability for payments due under the note and mortgage, or for the payments to the working capital reserve or for matters not under their control.

(h) With the consent of Limited Partners holding a majority of the Limited Partnership interests:

(i) sell or exchange all or substantially all of the property owned by the Partnership;

(ii) enter into or terminate a lease of all or substantially all of the property owned by the Partnership;

(iii) refinance, recast, modify or extend any mortgage which may affect any property owned by the Partnership or enter into a new mortgage affecting the same; or

(iv) demolish any building owned by the Partnership, substantially alter any such building or build a new building on real property owned by the Partnership.

During the period that the Loan Agreement is binding upon the Partnership, the consent of FmHA is required for any of the foregoing acts.

Section 6.02. Property Management Agent. The Limited Partners hereby consent to the employment of such property management agent as the General Partners may engage, including the General Partners or an affiliate notwithstanding the fact that any party hereto may have an interest therein, provided that the amount paid to such property management agent shall not exceed the fee authorized by FmHA. Any Fee paid to a property management agent shall be an expense of the Partnership. The property management agent may be removed for cause and any contract shall so provide.

Section 6.03. Independent Activities. Nothing contained herein shall prevent any of the Partners, General or Limited, from continued engagement in activities other than those of the Partnership. Neither the Partnership nor any other Partner shall have any rights or obligations in and to such ventures or the income or profits derived from them.

Section 6.04. Liabilities for Acts and Omissions. No General Partner shall be liable, responsible or accountable in damages or otherwise to any of the Partners for any act or omission performed or omitted by him in good faith on behalf of the Partnership and in a manner reasonably believed by him to be within the scope of his authority and in the best interests of the Partnership.

Section 6.05. Authority of General Partners to Act for the Partnership. The General Partners, or either of them, shall act for and on behalf of the Partnership in executing any and all documents required by FmHA to effect the closing of the FmHA loan, interest credit agreement and to obtain a Certification of Completion.

Section 6.06. Restriction on General Partners. The General Partners shall have all the rights and powers and be subject to all the restrictions and liabilities of a Partner in a Partnership without Limited Partners, except that without the written consent or ratification of the specific act by all the then Limited Partners, the General Partner shall have no authority to:

- (a) Do any act in contravention of this Agreement.
- (b) Do any act which would make it impossible to carry on the business of the Partnership.
- (c) Possess partnership property or assign the rights of the Limited Partners in specific partnership property, except as provided in Section 3.05.
- (d) Make, execute or deliver any general assignment for the benefit of creditors or any confession or judgment, deed guarantee, indemnity bond, surety bond, or contract to sell or contract of sale of all or substantially all of the property of the Partnership, other than those required by FmHA rules and regulations in relation to the financing of the Project.

VII. RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 7.01. Management of the Partnership. No Limited Partner shall take part in the management or control of the business of the Partnership or transact any business in the name of the Partnership. The Limited Partners shall, however, have the powers and be entitled to exercise the rights given to the Limited Partners by the terms of this Agreement and applicable state law, and the exercise of these rights and powers are deemed to be matters affecting the basic structure of the Partnership and not the control of its business.

Section 7.02. Liability of Limited Partners. The liability of each Limited Partner shall be limited to his capital contribution in the amount and when it is payable under the provisions of this Agreement and in the manner specified in the Limited Partnership Act of the state.

Section 7.03. Other Activities. Nothing contained herein shall prevent any of the Limited Partners from engaging in real estate and business activities other than that of this Partnership.

Section 7.04. Power of Attorney.

(a) The General Partners and each of them shall be, and hereby are, appointed the true and lawful attorney-in-fact for the Limited Partners, with full power and authority to make, execute, acknowledge, publish and file:

(i) Any amendments to this Agreement pursuant to the Uniform Limited Partnership Act and the laws of any state in which such documents are required to be filed;

(ii) Any certificates, instruments and documents including Fictitious Name Certificates as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Partnership is doing or intends to do business;

(iii) Any other instrument which may be required to be filed by the Partnership, under the laws of any state or by governmental agency, or which the General Partners deem advisable to file; and

(iv) Any documents which may be required to effect the continuation of the Partnership, the admission of an Additional or Substitute Limited Partner, or the dissolution and termination of the Partnership pursuant to the terms of this Agreement.

(b) Any corporate General Partner may assign or delegate its authority under Section 7.04.(a) to an authorized corporate officer or a licensed escrow agent. An individual General Partner may delegate this authority by Special Power of Attorney.

(c) The foregoing grant of authority:

(i) Is a Special Power of Attorney, coupled with an interest, and shall survive the death of any Partner;

(ii) May be exercised by any General Partner for each and every Partner acting as attorney-in-fact for each and every Partner; and

(iii) Shall survive the delivery of an assignment by a Limited Partner of his interest; except that where the assignee thereof has been approved by the General Partners for admission to the Partnership as a Substitute Limited Partner, the Power of Attorney shall survive the delivery of such assignment with respect to the assignor Limited Partner for the sole purpose of enabling the General Partners to execute, acknowledge and file any instrument necessary to effect such substitution.

Section 7.05. Effect of Bankruptcy, Death or Incompetency of a Limited Partner. The bankruptcy, death, or adjudication of incompetency of a Limited Partner shall not cause the termination or dissolution of the Partnership, and the business of the Partnership shall continue. Upon any such occurrence, the trustee, receiver, executor, administrator, committee, guardian or conservator of such Limited Partner shall have all the rights of such Limited Partner for the purpose of settling or managing his estate or property, or to assign all or any part of his interest subject to Article IX and to join with the assignee in satisfying conditions precedent to the admission of the assignee as a Substitute Limited Partner.

Section 7.06. Voting of the Special Limited Partner. The Special Limited Partner provided for in Section 8.01 shall have none of the voting power attributable to the Limited Partners.

VIII. CHANGES IN GENERAL PARTNERS AND TRANSFERS OF THEIR INTERESTS

Section 8.01. Removal of a General Partner.

(a) Subject to the provisions set forth in this Section 8.01, a majority in interest of the Limited Partners, subject to the approval of FmHA, if required, shall have the right to remove any or all of the General Partners only for acts in contravention of Section 6.06 hereof. Limited Partners holding fifteen percent (15%) or more of the Limited Partnership interests shall have the right to propose for vote by the Limited Partners the question of the removal of any or all of the General Partners. A General Partner so removed shall not be liable for any obligations of the Partnership incurred after the effective date of his removal.

(b) Any General Partner removed pursuant to this Section shall, upon such removal, become a Special Limited Partner and as such will not have any right to participate in the management of the affairs of the Partnership. In the event the property management agent is also a General Partner or an affiliate

of the General Partners, the property management agent shall also be terminated and removed by the removal of the General Partner. Such Special Limited Partner shall not share in any rights or interest given to the Limited Partners as a class. Instead, such Special Limited Partner shall retain its share of the net profits or net losses, cash flow and capital interest and payments which he had as a General Partner subject to Section 7.06.

(c) The Limited Partners, pro rata, or any Successor General Partner proposed by them shall have the option, but not the obligation, to acquire the interest in the Partnership of any General Partner so removed upon payment of the fair market value of the General Partner's interest; provided that in such event the Limited Partners or any Successor General Partner proposed by them shall deduct from such payment any 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 Partner under this Agreement and pay such amount to the Partnership. Any dispute as to fair market values or damages shall be submitted to a committee composed of three (3) MAI appraisers, one chosen by the General Partner being removed, one chosen by a majority in interest of the Limited Partners or by the Successor General Partner, as the case may be, and the third chosen by the two so chosen. The proceedings of such committee and its majority decision shall be promptly rendered and shall be final and binding upon the parties hereto and any Successor General Partner in a court of competent jurisdiction.

(d) No Limited Partner or Limited Partners may exercise any rights accorded by this Section 8.01 prior to obtaining, and submitting to the Partnership, an opinion of counsel (of their choice) that the actions contemplated would not violate the Loan Agreement, affect the status of the Limited Partners as such under the Uniform Limited Partnership Act of the state or cause the termination of the Partnership for Federal Income Tax purposes.

Section 8.02. Transfer of Partnership Interests. No General Partner may withdraw, assign, mortgage, or sell his interest in the Partnership or in its capital assets or property, or enter into any agreement as the result of which any person shall become interested with him in the Partnership, without the prior approval of FmHA and the consent of Limited Partners holding a majority of limited partnership interests, provided, however, one General Partner may sell or assign to another General Partner without Limited Partner consent.

Section 8.03. Continuing Liability. In the event that a General Partner withdraws from the Partnership or sells, transfers

or assigns its entire interest pursuant to Section 8.02, or is removed pursuant to Section 8.01, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by it as General Partner prior to the effective date of such occurrence but shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after such time.

Section 8.04. Admission of a Substitute, Successor or Additional General Partner. The General Partners may, at any time, designate additional persons to be General Partners, provided the interest of the Limited Partners shall not be affected thereby. The Limited Partners may, upon the removal of a General Partner pursuant to Section 8.01, designate additional person(s) to be a Successor General Partner. Such additional persons shall become Substitute Successor or Additional General Partners only upon meeting the following conditions:

(a) The Admission of such person shall have been consented to by a majority of the limited partnership interests;

(b) The designated person shall have accepted and agreed to be bound by all the terms and provisions of this Agreement and the Loan Agreement;

(c) If the designated person is a corporation, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of its authority to become a General Partner and to be bound pursuant to Section 8.04(b) above;

(d) Counsel for the Partnership, at the expense of the Partnership, shall have rendered an opinion that the admission of the designated person is in conformity with the Uniform Limited Partnership Act of the state and that none of the actions taken in connection with the admission of the designated person will cause the dissolution (as defined in this Agreement) of the Partnership or will cause it to be classified other than as a partnership for Federal Income Tax purposes; and

(e) Any required or appropriate amendments and filings required under the Uniform Partnership Act of the state shall have been properly performed.

(f) The concurrence of FmHA, if necessary.

Section 8.05. Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetency of a General Partner.

(a) In the event of the bankruptcy, adjudication of incompetency, withdrawal, death or dissolution of a General Partner, the business of the Partnership shall be continued with Partnership property by the remaining General Partners; provided, however, that if such General Partner is then the sole General Partner, the Partnership shall be dissolved or continued in accord with the provisions of Section 8.06.

(b) Upon the occurrence of any event set forth in Section 8.05(a) other than bankruptcy, such General Partner shall immediately cease to be a General Partner and its authority as General Partner shall terminate; provided, however, that such termination shall not affect any rights, obligations or liabilities of the deceased, dissolved or incompetent General Partner then existing or the value, if any, of the interest of such General Partner; and provided further, that said General Partner or his estate shall retain its Partnership interest thereafter as a Special Limited Partner subject to the right of the remaining General Partners, Successor General Partner or the Limited Partners pro rata as the case may be, and in the order specified, to purchase the Partnership interest of the deceased, dissolved, or incompetent General Partner for the agreed-upon or the then present fair market value of such interest determined pursuant to the method of appraisal in Section 8.01(c) hereof.

(c) To assure the Limited Partners of the ability to continue the Partnership business and to enable them to select a Successor General Partner to assume the obligations of General Partners, or either of them, and to continue the management of the Partnership, in the event of the bankruptcy or proceeding in bankruptcy or receivership, including a Chapter 11 proceeding of the General Partners, or either of them, and the affirmative determination of the Limited Partners to continue the Partnership business, where appropriate, the General Partners, or such of them as file a petition in bankruptcy or receivership including a Chapter 11 proceeding, shall offer to transfer and assign all of their right, title and interest in and to the Partnership to the remaining General Partner, to such Successor General Partner as shall be selected by the Limited Partners or to the Limited Partners pro rata in the event no Successor General Partner is selected, and in the order specified, for a purchase price determined pursuant to the appraisal method in Section 8.01(c) hereof.

(d) The remaining General Partner(s), if any, are authorized and shall immediately:

(i) Give notice to the Limited Partners of the occurrence of such event; and

(ii) Make, execute and file for recordation such amendments or documents or other instruments as are necessary to reflect the termination of the interest of such General Partner, each Limited Partner hereby consenting to such amendment.

Section 8.06. Continuation of the Partnership. Upon the bankruptcy or proceeding in bankruptcy or receivership, including a Chapter 11 proceeding, resignation, insanity, death, incapacity, dissolution or removal from the Partnership of the sole remaining General Partner, the Partnership shall terminate unless within sixty (60) days thereafter all remaining Partners elect to continue the Partnership business. In the event of such election, the Partnership shall not terminate, but shall continue upon the selection of a successor General Partner, if done within one hundred and eighty (180) days of the election to continue the Partnership business.

Section 8.07. Binding Effect of Loan Agreement. Upon dissolution of the Partnership, if the Loan Agreement is still in effect, no title or right to possession and control shall pass to any successor of the Partnership unless or until it has agreed to become bound by the Loan Agreement in a manner satisfactory to FmHA.

IX. TRANSFER OF INTERESTS OF LIMITED PARTNERS

Section 9.01. Purchase for Investment.

(a) Each Limited Partner hereby represents and warrants to the General Partners and to the Partnership that his acquisition of his interest is made as principal for his account for investment purposes only and not with a view to the resale or distribution of such interest, except insofar as the Securities Act of 1933 and any applicable securities law of any state or other jurisdiction permit such acquisition to be made for the account of others or with a view to the resale or distribution of such interest without requiring that such interest, or the acquisition, resale or distribution thereof, be registered under the Securities Act of 1933 or any applicable securities law of the United States, any state or other jurisdiction.

(b) Each Limited Partner agrees that he will not sell, assign or otherwise transfer his interest, or any fraction thereof, to any person who does not similarly represent and warrant and similarly agree not to sell, assign or transfer such interest, or fraction thereof, to any person who does not similarly represent and warrant and agree.

Section 9.02. Restriction on Transfer of Limited Partner Interests.

(a) No Limited Partner may sell, transfer or assign, in whole or in part, his interest unless the General Partners have received an opinion of counsel which is satisfactory to the General Partners, or Partnership counsel, that such sale, transfer or assignment would not cause the termination of the Partnership for Federal Income Tax purposes.

(b) Except for transfers by bequest, or under the laws of intestacy, each Limited Partner agrees that he will not sell, assign or otherwise transfer his interest, or any fraction thereof, unless the General Partners shall have consented thereto and the interests are registered under the Securities Act of 1933 and any applicable state securities laws or such Limited Partner obtains an opinion of counsel which is satisfactory to the General Partners that the interests may be sold in reliance on an exemption from such registration requirements, it being the understanding of each Limited Partner that the Partnership has no obligation or intention to register the interests for resale under any federal or state securities laws or to take any action which would make available any exemption from the registration requirements of such laws.

(c) In no event shall a Limited Partner's interest, or any portion thereof, be sold, assigned or transferred to a minor or incompetent, unless by will or intestate succession, and then only if a legal representative of such minor or incompetent has been duly appointed according to law.

Section 9.03. Admission of Substitute Limited Partner.

(a) Subject to the other provisions of this Article IX, an assignee of the interest of a Limited Partner (which shall be understood to include any purchaser, transferee, donee, or other recipient on any disposition of such interest in compliance with Section 9.02) shall be deemed admitted as a Limited Partner of the Partnership only upon the satisfactory completion of the following:

(i) Consent by the General Partners and, if necessary, FmHA;

(ii) Consent of the majority interest of the Limited Partners;

(iii) A counterpart of this Agreement shall have been executed to evidence the consents and agreements above, and a certificate evidencing the admission of such person as a Substitute Limited Partner shall have been executed and filed for record;

(iv) If the assignee is a corporation, the assignee shall have provided the General Partners with evidence satisfactory to counsel for the Partnership of its authority to become a Limited Partner under the terms and provisions of this Agreement;

(v) An opinion of counsel shall be rendered to the General Partners that the admission of the assignee as a Substitute Limited Partner is in conformity with the Uniform Limited Partnership Act of the state and that none of the actions taken in connection with the admission will cause termination or dissolution of the Partnership for Federal Income Tax purposes, and the General Partners with counsel shall approve such opinion;

(vi) The assignee, if required, shall have paid all reasonable legal fees of the Partnership and the General Partners and filing and publication costs in connection with his admission as a Substitute Limited Partner.

(b) For the purpose of allocating profits and losses and distributing cash of the Partnership, a Substitute Limited Partner shall be deemed to have become such on the first day of the month of his admission to the Partnership as a Substitute Limited Partner, except as provided in Section 3.05 hereof.

(c) The General Partners and the Partnership shall cooperate with the person seeking to become a Substitute Limited Partner by preparing the documentation required by this Section and making all official filings and publications as promptly as practicable after the satisfaction by the assignee of the conditions contained in this Article IX to the admission of such person as Limited Partner of the Partnership.

Section 9.04.
Interests.

Rights of Assignees of Partnership

(a) Except as provided in this Section and as required by operation of law, the Partnership shall not be obligated for any purpose whatsoever to recognize the assignment by any Limited Partner of his interest until the Partnership has received actual notice thereof.

(b) Any person who is the assignee of all or any portion of a Limited Partner's interest, but does not become a Limited Partner, and desires to make a further assignment of such interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of his interest.

Section 9.05. Joint Ownership of Interests. An interest may be acquired by two individuals as joint tenants with right of survivorship. Any consent of the Limited Partners shall require the action or vote of both owners of any such jointly held interest, unless a consent has been executed by one to allow the other to act for both. Upon notice to the General Partners from either owner, the General Partners shall cause the interest to be divided into two equal interests, which shall thereafter be owned separately by each of the former owners. Upon the death of one owner of a jointly held interest, such interest shall become owned solely by the survivor as a Limited Partner and not as an assignee. The Partnership need not recognize the death of one of the owners of a jointly held interest until it shall have received notice of such death.

X. BOOKS, RECORDS, ACCOUNTING, TAX ELECTIONS, BANKING

Section 10.01. Books and Records. The books and records of the Partnership shall be maintained in accordance with generally accepted accounting principles. These and all other records of the Partnership, including information relating to the status of the Project, information with respect to the sale by the General Partners or any affiliate of goods or services to the Partnership, and a list of the names and addresses of all Limited Partners and all other records shall be kept at the principal place of business of the Partnership and shall be available for examination there by any Partner, or his duly authorized representatives, at any and all reasonable times. Any Partner or his duly authorized representatives, upon paying the costs of collection, duplication and mailing, shall be entitled to a copy of any Partnership Documents.

Section 10.02. Custody of Partnership Funds; Bank Accounts.

(a) The General Partners shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not such funds are in the immediate possession or control of the General Partners. The funds of the Partnership shall not be commingled with the funds of any other person, and the General Partners shall not employ such funds in any manner except for the benefit of the Partnership.

(b) All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the General Partners shall determine, and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the General Partners may, from time to time, determine.

Section 10.03. Accountants. The accountants for the Partnership shall be such Certified Public Accountant (accountant) as shall be selected by and approved by the General Partners. The accountant shall prepare for execution by the General Partners all tax returns of the Partnership, in accordance with generally accepted accounting principles, a balance sheet, a profit and loss statement and a cash flow statement.

Section 10.04. Reports to Partners. The General Partners agree to deliver to the Limited Partners Seventy Five (75) (75) days after each calendar year an annual statement of gross receipts and operating expenses as prepared by the Partnership's accountant, and Internal Revenue Form 1065 showing the profit and loss of the Partnership and the allocations thereof to each Partner for the preceding fiscal year as well as such other material and information as the Internal Revenue Code may require.

Section 10.05. Section 754 Elections.

(a) In the event of a transfer of all or any part of the interest of a General Partner or of a Limited Partner, the Partnership may elect, pursuant to Sections 743 and 754 of the Internal Revenue Code of 1954 (or any corresponding provisions of succeeding law), to adjust the basis of the Partnership property. However, notwithstanding an election pursuant to Section 754 having been made with respect to the interest of any Partner, the determination of profits, losses and capital account balances shall, for all purposes of this Agreement, be made without taking into account adjustments resulting from such election and such adjustments shall only be taken into account on the income tax

returns of the Partners affected thereby.

(b) All elections under the Internal Revenue Code with respect to the reporting of allowable deductions of the Partnership shall be made and determined in a manner most advantageous to the Partnership. All Partners presently elect to report accelerated depreciation.

Section 10.06. Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

XI. SALE, DISSOLUTION AND LIQUIDATION

Section 11.01. Dissolution of the Partnership. The Partnership shall be dissolved on the earlier of the expiration of the term of the Partnership or upon:

(a) The withdrawal, bankruptcy, death, dissolution or adjudication of incompetency of a General Partner who is at that time a sole General Partner subject to the right of the Partners to continue the Partnership pursuant to Section 8.06.

(b) The sale or the disposition of the Project and collection of all the proceeds therefrom.

(c) The election by Limited Partners whose interests represent a 75% majority of the Limited Partnership interests; or

(d) Any other event causing the dissolution of the Partnership under the laws of the state, except that the withdrawal of a General Partner who is not the sole General Partner shall not cause a dissolution for purposes of this Agreement.

Section 11.02. Winding Up and Distribution.

(a) Upon the dissolution of the Partnership pursuant to Section 11.01, the Partnership business shall be wound up and its assets liquidated as provided in this Section 11.02, and the net proceeds of such liquidation shall be distributed in accordance with Section 5.07.

(b) The liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's property and assets; provided, however, that if the liquidator shall determine

that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, in order to avoid such loss the liquidator may, except to the extent provided by the Uniform Limited Partnership Act of the state, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Partnership to persons other than the Partners. Upon the complete liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(c) Upon the dissolution of the Partnership pursuant to Section 11.01, the accountants for the Partnership shall promptly prepare, and the liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership upon its dissolution. Promptly following the complete liquidation and distribution of the Partnership property and assets, the Partnership accountants shall prepare, and the liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership assets were liquidated and distributed.

XII. AMENDMENTS

Section 12.01. Amendments. Subject to the limitations hereinafter set forth, amendments to this Agreement for material changes may be proposed by the General Partners or by the Limited Partners holding not less than fifteen percent (15%) of the Limited Partnership interests. Following such proposal, the General Partners shall submit to the Limited Partners, a statement of any such proposed amendment. The submission by the General Partners shall include a recommendation of the General Partners with respect to such vote of the Limited Partners on the proposed amendment. The affirmative vote of the Limited Partners holding not less than a majority of limited partnership interests will be required to amend this Agreement. Notwithstanding the above, no amendment shall:

(a) Alter the basic substance or obligations contained in this Agreement;

(b) Terminate the Partnership except as provided in this Agreement; or

(c) In any way modify the obligations of the Partnership under the Loan Agreement or the mortgage on the Project.

(d) Without the consent of the Partner affected, modify any provisions of Articles IV and V.

Section 12.02. Non-Material Amendments. Notwithstanding anything in Section 12.01 hereof to the contrary, the General Partners as attorney-in-fact for the Limited Partners pursuant to Section 7.04 hereof shall have the authority to make non-material amendments or changes to this Agreement. Non-material shall be defined as any change which does not affect the rights, duties, liabilities or investment of each and every Limited Partner. The General Partners shall furnish each Limited Partner with copies of any non-material amendments or changes to this Agreement.

XIII. GENERAL PROVISIONS

Section 13.01. Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and their estates, heirs, legatees, successors or assigns.

Section 13.02. Notices. All notices provided for in this Agreement shall be directed to the parties at the addresses set forth on the signature pages attached hereto and to the Partnership at its principal office.

Section 13.03. Applicable Law. This Agreement and the rights of the parties hereunder shall be interpreted in accordance with the laws of the State of Idaho.

Section 13.04. Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 13.05. 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 the parties are not signatory to the original or the same counterpart.

Section 13.06. Arbitration. If, at any time during the term of this Agreement, any dispute, difference or disagreement shall arise upon or in respect of the Agreement, and the meaning and construction hereof, every such dispute, difference and disagreement shall be referred to a single arbiter agreed upon by the complaining Limited Partner(s) and the General Partners, or if no single arbiter can be agreed upon, an arbiter or arbiters shall be selected in accordance with the rules of the American Arbitration Association and such dispute, difference or disagreement

shall be settled by arbitration in accordance with the then prevailing commercial rules of the American Arbitration Association, and judgment upon the award rendered by the arbiter may be entered in any court having jurisdiction thereof.

Section 13.07. Headings and Captions. The headings or captions of the sections and subparagraphs of this Agreement are inserted for convenience only, and shall not be deemed to be part of the Agreement, and in no way define, limit, extend or describe the scope or intent of any provisions hereof.

Section 13.08. Pronouns and Plurals. Whenever the context may require, any pronoun used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural or vice versa.

Section 13.09. Separability. If one or more of the provisions of this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions and any other application thereof shall in no way be affected or impaired.

Section 13.10. Integration. This Agreement constitutes the entire Agreement among the parties hereto pertaining to the subject matter hereof and supercedes all prior agreements and understandings of the parties in connection therewith. No covenant, representation or condition not expressed in this Agreement shall affect, or be effective to interpret, change or restrict the expressed provisions of this Agreement.

Section 13.11. Suitability of Limited Partners. Each Limited Partner executing this Agreement warrants to the General Partners that he is obtaining his limited partnership interests for investment purposes in compliance with the rules of the Securities and Exchange Commission and that he is able to bear the economic risk of the investment for an indefinite time. Each Limited Partner further agrees to furnish upon execution of this Agreement a personal financial statement executed by him (and his spouse if required by FmHA) to the General Partners for submission to FmHA for its review and approval.

Section 13.12. Filing of Partnership Agreement and Certificate. The Limited Partners hereby agree that upon entry of all Limited Partners into the Partnership, a copy of the Partnership Agreement need not be provided to each Limited Partner, copies of all Limited Partner Additional Signature Pages being sufficient. All future amendments shall be provided to the

Limited Partners upon execution. The General Partners shall provide a copy of any subsequent Amended Certificate of Limited Partnership upon filing.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties on the day and year set forth at the beginning of this Agreement.

	<u>Profit & Loss Interest</u>	<u>Cash Flow Interest</u>	<u>Capital Interest</u>
<u>GENERAL PARTNERS</u>			
MARTY D. FRANTZ North 13425 Gem Shore Road Hayden Lake, Idaho 89835	2.5%	2.5%	15%
x <u><i>M D Frantz</i></u>			
CYNTHIA M. FRANTZ North 13425 Gem Shore Road Hayden Lake, Idaho 89835	2.5%	2.5%	15%
x <u><i>Cynthia M. Frantz</i></u>			

WITHDRAWING LIMITED PARTNER

MARTY D. FRANTZ

STATE OF IDAHO)
County of) ss.

On this day personally appeared before me MARTY D. FRANTZ to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged under oath that he executed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND AND OFFICIAL SEAL THIS 13 DAY OF DEC, 1985.

John Rouse
NOTARY PUBLIC in and for the State
of Idaho, residing at

Hayden Lake

STATE OF IDAHO)
) ss.
County of)

On this day personally appeared before me Walter M. Franz to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged under oath that he executed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND AND OFFICIAL SEAL THIS 13 DAY OF DEC, 1985.

John Crow
NOTARY PUBLIC in and for the State
of Idaho, residing at

Hayden Hotel

my Commission Expires 3-1-91

ORIGINAL

ADDITIONAL LIMITED PARTNER'S SIGNATURE PAGE

Attached to and made a part of the Amended Agreement of Limited Partnership of HYRUM ASSOCIATES, an Idaho limited partnership.

The undersigned hereby executes the Agreement as a Limited Partner, thereby agreeing to all the terms thereof, including the Power of Attorney granted to the General Partner. My address and agreed capital contribution are set forth opposite my signature.

Each Limited Partner executing this Agreement with the spouse does so for and on behalf of the marital community.

IN WITNESS WHEREOF, the undersigned declares under penalty of perjury that I have read and examined the Agreement and to the best of my knowledge and belief as a party hereto, it is true, correct and complete.

LIMITED PARTNER <u>George M. Ackler</u> (Signature)	ADDRESS 200 North Bentley Avenue Los Angeles, CA 90049	CAPITAL CONTRIBUTION \$51,000.00 <u>\$50,000.00</u>
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(Signature)

Social Security #

345-18-6450

Profit & Loss Interest

19%

Cash Flow Interest

19%

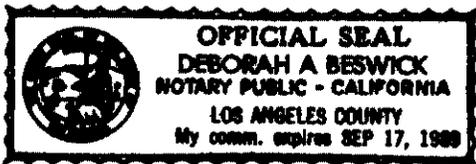
Capital Interest

14%

STATE OF CALIFORNIA)
County of LOS ANGELES) ss.

On this day personally appeared before me GEORGE M. ACKER and _____ to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged under oath that HE executed the same as HIS free and voluntary act(s) and deed(s), for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 3RD day of OCTOBER, 19 85



Deborah A. Beswick
NOTARY PUBLIC in and for the State of CALIFORNIA residing at LOS ANGELES COUNTY

ADDITIONAL LIMITED PARTNER'S SIGNATURE PAGE

Attached to and made a part of the Amended Agreement of Limited Partnership of HYRUM ASSOCIATES, an Idaho limited partnership.

The undersigned hereby executes the Agreement as a Limited Partner, thereby agreeing to all the terms thereof, including the Power of Attorney granted to the General Partner. My address and agreed capital contribution are set forth opposite my signature.

Each Limited Partner executing this Agreement with the spouse does so for and on behalf of the marital community.

IN WITNESS WHEREOF, the undersigned declares under penalty of perjury that I have read and examined the Agreement and to the best of my knowledge and belief as a party hereto, it is true, correct and complete.

LIMITED PARTNER	ADDRESS	CAPITAL CONTRIBUTION
<u><i>Glendon R. Hildebrand</i></u> (Signature)	<u>26 W 365 Menomoni Drive Wheaton, IL 60187</u>	<u>\$25,000</u>
<u><i>Margery Ann Hildebrand</i></u> (Signature)	_____	_____

Social Security #	Profit & Loss Interest	Cash Flow Interest	Capital Interest
<u>571-42-4181</u>	<u>9.50%</u>	<u>9.50%</u>	<u>7%</u>

STATE OF Illinois)
 County of Cook) ss.

On this day personally appeared before me Glendon R. Hildebrand and Margery Ann Hildebrand to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged under oath that they executed the same as their free and voluntary act(s) and deed(s), for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 18 day of November, 19 85.

Arthur Capadona
 NOTARY PUBLIC in and for the State
 of Ill., residing at Cook County

ADDITIONAL LIMITED PARTNER'S SIGNATURE PAGE

Attached to and made a part of the Amended Agreement of Limited Partnership of HYRUM ASSOCIATES, an Idaho limited partnership.

The undersigned hereby executes the Agreement as a Limited Partner, thereby agreeing to all the terms thereof, including the Power of Attorney granted to the General Partner. My address and agreed capital contribution are set forth opposite my signature.

Each Limited Partner executing this Agreement with the spouse does so for and on behalf of the marital community.

IN WITNESS WHEREOF, the undersigned declares under penalty of perjury that I have read and examined the Agreement and to the best of my knowledge and belief as a party hereto, it is true, correct and complete.

LIMITED PARTNER	ADDRESS	CAPITAL CONTRIBUTION
<u>Harold C. Maynard</u> (Signature)	<u>3803 Spurgin Rd. Missoula</u> Mt.	<u>25,000.00</u>
<u>Heleen M. Maynard</u> (Signature)	<u>3803 Spurgin Rd.</u>	_____

Social Security #	<u>Profit & Loss Interest</u>	<u>Cash Flow Interest</u>	<u>Capital Interest</u>
<u>531-07-4254-A</u> <u>535-32-3946A</u>	<u>9.5%</u>	<u>9.5%</u>	<u>7%</u>

STATE OF Montana)
County of Missoula) ss.

On this day personally appeared before me Harold C. Maynard and Heleen M. Maynard to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged under oath that _____ executed the same as _____ free and voluntary act(s) and deed(s), for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14th day of November, 19 85.

Loyce K. Durby
NOTARY PUBLIC in and for the State
of MT, residing at Missoula

4/21/86

ADDITIONAL LIMITED PARTNER'S SIGNATURE PAGE

Attached to and made a part of the Amended Agreement of Limited Partnership of HYRUM ASSOCIATES, an Idaho limited partnership.

The undersigned hereby executes the Agreement as a Limited Partner, thereby agreeing to all the terms thereof, including the Power of Attorney granted to the General Partner. My address and agreed capital contribution are set forth opposite my signature.

Each Limited Partner executing this Agreement with the spouse does so for and on behalf of the marital community.

IN WITNESS WHEREOF, the undersigned declares under penalty of perjury that I have read and examined the Agreement and to the best of my knowledge and belief as a party hereto, it is true, correct and complete.

LIMITED PARTNER	ADDRESS	CAPITAL CONTRIBUTION		
<u>Robert Thoburn</u> (Signature)	<u>1130 NW 64th terrace</u> <u>Gainesville, FL 32605</u>	<u>\$ 7,200.00</u>		
<u>Carolyn S. Thoburn</u> (Signature)	<u>"</u>			
<u>Social Security #</u>	<u>Profit & Loss Interest</u>	<u>Cash Flow Interest</u>	<u>Capital Interest</u>	
<u>261-54-1704</u> ✓				

STATE OF Florida)
County of Alachua) ss.

On this day personally appeared before me Robert Thoburn and Carolyn S. Thoburn to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged under oath that they executed the same as their free and voluntary act(s) and deed(s), for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14th day of October, 19 85.

Jeanne W. White
NOTARY PUBLIC in and for the State of Florida, residing at Gainesville Alachua County

NOTARY PUBLIC, STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES MAY 29, 1988

ADDITIONAL LIMITED PARTNER'S SIGNATURE PAGE

Attached to and made a part of the Amended Agreement of Limited Partnership of HYRUM ASSOCIATES, an Idaho limited partnership.

The undersigned hereby executes the Agreement as a Limited Partner, thereby agreeing to all the terms thereof, including the Power of Attorney granted to the General Partner. My address and agreed capital contribution are set forth opposite my signature.

Each Limited Partner executing this Agreement with the spouse does so for and on behalf of the marital community.

IN WITNESS WHEREOF, the undersigned declares under penalty of perjury that I have read and examined the Agreement and to the best of my knowledge and belief as a party hereto, it is true, correct and complete.

LIMITED PARTNER	ADDRESS	CAPITAL CONTRIBUTION
<u>Robert Thoburn</u> (Signature)	<u>1130 NW 64th Terrace</u>	<u>\$ 50,000.00</u>
<u>Carolyn S. Thoburn</u> (Signature)	<u>Gainesville, FL 32605</u>	<u>7,000.00</u> ✓ WS
	"	

Social Security #	Profit & Loss Interest	Cash Flow Interest	Capital Interest
<u>261-54-1704</u>	_____	_____	_____

STATE OF Florida)
County of Alachua) ss.

On this day personally appeared before me Robert Thoburn and Carolyn S. Thoburn to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged under oath that they executed the same as their free and voluntary act(s) and deed(s), for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14th day of October, 19 85.

Jeanne W. Whittington
NOTARY PUBLIC in and for the State
of Florida, residing at Gainesville Alachua County

NOTARY PUBLIC, STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES MAY 29, 1988