

UPON COMPLETING OF FILING,
PLEASE MAIL TO:
Ms. Margo E. Swedberg
Post Falls Investment Group II
Post Office Box 6314
Auburn, California 95604

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CERTIFICATE OF LIMITED PARTNERSHIP

FOR

POST FALLS INVESTMENT GROUP II

AN IDAHO LIMITED PARTNERSHIP

The undersigned, desiring to form a limited partnership this 15th day of September, 1987, pursuant to the laws of the State of Idaho, do hereby subscribe, acknowledge and verify the following certificate for that purpose:

1. Name. The name of the limited partnership is Post Falls Investment Group II, an Idaho Limited Partnership (herein referred to as the "Partnership").

2. Character of business. The character of business to be transacted is the construction, acquisition, ownership, operation, management and sale or other disposition of an 18-unit apartment complex, and all other improvements existing or to be constructed thereon, located in Post Falls, Idaho (herein referred to as the "Project").

3. Initial Registered Office and Agent. The initial registered agent for the Partnership is J. Russell Gibler and the initial registered office is at 307 19th Street, Suite A-1, Lewiston, Idaho 83501. The General Partner Rico Brazil designates the registered agent of the Partnership and any successor registered agent as his personal registered agent and attorney upon whom any process, notice or demand which arises out of the conduct of the Partnership affairs and which is required or permitted by law to be served upon a general partner, may be served.

4. Names and Addresses of General and Limited Partners.

(a) The name and residence address of the General Partner is:

RICO BRAZIL
39835 Deer Ridge Road
Oakhurst, California 93644

(b) The names and business addresses of the Limited Partners ("Limited Partner"), are:

RICO BRAZIL
Post Office Box 2600
Oakhurst, CA 93644

EDWARD MACKAY
4205 East Road
Placerville, CA 95667

5. Term. The term of the Partnership shall continue until December 31, 2046, unless the Partnership is earlier dissolved and terminated in accordance with its terms.

6. Capital Contributions. The Limited Partners will make a total capital contribution of \$1000 in the form of a non-interest bearing non-negotiable promissory note payable to the Partnership, with no additional capital contributions in the future, as follows:

<u>Limited Partner</u>	<u>Capital Contribution</u>
Rico Brazil	\$500
Edward Mackay	\$500

The General Partners shall each make a capital contribution of \$16,110 in cash to the Partnership.

The General Partners shall also make such further contributions of capital to the Partnership from time to time as are necessary to fund the total amount of any operating deficit.

7. Limited Partner's Right to Substitute an Assignee. The Units of the Limited Partners may not be transferred unless, in addition to the satisfaction of the requirements of applicable securities laws, the following terms and conditions are satisfied:

(a) The transferor, at the request of the General Partners, furnishes the Partnership with evidence satisfactory to the General Partners that the transfer complies with applicable federal and state securities laws; and

(b) The transferee at the request of the General Partners, assumes the obligations of the transferor to the Partnership and adopts and approves all the forms and provisions of the Agreement as then in effect.

8. Withdrawal of a General Partner. No General Partner may resign or withdraw from the Partnership without providing a successor General Partner satisfactory to any other General Partner(s) or, if a sole General Partner, without

approval of Limited Partners holding a majority of the then outstanding Units, and without an opinion of counsel of his choice that his withdrawal would not affect the status of the Limited Partners as such under the Idaho Limited Partnership Act or adversely affect the classification of or cause the termination of the Partnership for federal income tax purposes. If a sole General Partner resigns or withdraws, he must provide a successor General Partner satisfactory to holders of all the then outstanding Units. The Limited Partners will not unreasonably withhold approval of a proposed successor General Partner.

9. Partners' Rights to Distributions.

(a) 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:

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

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 5% of any item of Net Profit and Net Loss.

(b) Distribution of Net Cash Flow. Net Cash Flow shall be distributed at least annually to the Partners as follows:

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

Net Cash Flow shall not be distributed in amounts greater than permitted by the Mortgage.

(c) Allocation of Net Profit on Sale. Any Net Profit realized by the Partnership as a result of any of the transactions described in Section 9(e) shall be allocated to the Partners (after having given effect to charges and credits to Capital Accounts resulting from allocations pursuant to Section 9(a) 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 9(b) but before giving effect to any distributions under Section 9(e) as follows and in the following order:

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

(ii) 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 9(e)(iii) shall be allocated to the Partners to whom such proceeds are distributable in proportion to their right to such distributions.

(iii) If the total gain to be allocated under this Section (c) includes any item of ordinary income arising under Sections 1245 or 1250 of the Internal Revenue Code of 1954 (the "Code"), as amended or any similar "recapture" gain, such item shall be allocated among the Partners in the same proportion as the aggregate gain allocated under the preceding subparagraph 9(b) is allocated. If such total gain includes interest income on any deferred sales proceeds, such interest income shall be allocated among the Partners in the same proportion as the total gain is allocated under this Section 9(c).

(iv) Then, any gain remaining shall be allocated 95% to the Additional Limited Partners (in proportion to the number of Units held by each of them) and 5% to the General Partners.

(v) Notwithstanding any other provision of this Agreement, 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.

(d) Allocation of Net Loss on Sale. Any loss incurred by the Partnership in connection with any of the transactions described in Section 9(c) shall be allocated as follows and in the following order of priority:

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

(ii) Second, any remaining loss shall be allocated to the Partners as Net Losses are allocated under Section 9(a).

(iii) Pro rata among the Partners in the amount of their aggregate Capital Contributions less all prior distributions to the Partners.

(iv) Notwithstanding any other provision of this Agreement, the General Partners in the aggregate shall at no time have less than 5% of any such loss realized by the Partnership allocated to them.

(e) 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 Partnership obligations, shall be distributed and applied in the following order of priority:

(i) If the Partnership is to be 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 (other than liabilities for distribution to Partners under Sections 53-231 and/or 53-234 of the Idaho Code.

(ii) To Partners in satisfaction of Partnership liabilities under Sections 53-231 and/or 53-234 of the Idaho Code.

(iii) If the Partnership is to be wound up, to the setting up of any reserves that the General Partners (or other Person(s) conducting the winding up of the Partnership) 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 (or other Person(s) conducting the winding up of the Partnership) in escrow at interest for the purpose of disbursing such reserves for the payment of any of the aforementioned contingencies and, at the expiration of such period as the General partners (or other Person(s) conducting the winding up of the Partnership) may deem advisable, for the purpose of distributing the balance thereafter remaining as hereinafter provided for.

(iv) Pro rata among the General Partners in the amount of their aggregate Capital Contributions less all prior distributions to the Partners.

(v) After the foregoing payments in this Section 9 (e) have been provided for, any balance remaining shall be distributed 95% to the Limited Partner and 5% to the General Partners.

(f) Consent to Allocations and Distributions. Each Partner expressly consents to the methods set forth in this Section 9 for determining the allocation and distributions of Net Profits, Net Losses and Distributions. The Partners acknowledge that the General Partners must maintain a 5% ownership interest in the net proceeds of sale of Partnership assets pursuant to applicable FmHA regulations.

(g) Allocations and Distributions Within a Class.

(i) Allocations Among Partners. Whenever Net Profit or Net Loss, or any item of income, gain, loss, deduction or

credit, is allocated to Limited Partners as a class, such Net Profit, Net Loss or item shall be allocated to all Limited Partners in proportion to the respective number of Units owned by them, unless all Limited Partners have agreed in writing to a different allocation, in which case such agreement shall control to the extent permitted by the Code. A copy of any such agreement shall be delivered to the principal place of business of the Partnership. In the event that the effect of such agreement is to grant priority to one or more of the Limited Partners over any other Limited Partner, this Agreement shall be amended to reflect such agreement. Whenever an allocation is made to the General Partners as a class, such allocation shall be made as provided in Section 9 (g) (iii).

Such units shall be deemed to be held as follows:

<u>LIMITED PARTNERS</u>	<u>UNITS</u>
Rico Brazil	25
Edward Mackay	75
TOTAL	<u>100</u>

(ii) Distribution Among Partners. Whenever a Distribution is made to Limited Partners as a class, such Distribution shall be made to all Limited Partners in proportion to their respective number of Units, unless the Limited Partners have agreed in writing to a different method of Distribution, in which case such agreement shall control. A copy of any such agreement shall be delivered to the principal place of business of the Partnership. In the event that the effect of such agreement is to grant priority to one or more of the Limited Partners over any other Limited Partner, the Original Certificate shall be amended to reflect such agreement. Whenever a Distribution is made to General Partners as a class, such Distribution shall be made as provided in Section 9 (g) (iii).

(iii) Allocations and Distributions between General Partners. Whenever any Net Profit or Net Loss, or any item of income, gain, loss, deduction or credit is allocated or an item of cash is distributed to General Partners as a class, such Net Profit, Net Loss or items shall be allocated or distributed to the General Partners as follows:

<u>GENERAL PARTNERS</u>	<u>PERCENTAGE</u>
Rico Brazil	100

10. Continuation of Partnership on Death, Etc. of a General Partner. The remaining General Partner(s) is(are) to continue the business of the Partnership on the death, withdrawal, insanity or other Event of Dissolution (as defined in the Agreement) of a General Partner. Upon the death, insanity or other Event of Dissolution with respect to a sole General Partner, the Partnership is to terminate unless within 90 days thereafter all the Limited Partners elect to continue the business of the Partnership and select a successor General Partner.

The undersigned declare under penalties of perjury that each has examined this Certificate of Limited Partnership and to the best of his or its knowledge and belief it is true, correct and complete.

GENERAL PARTNERS:



RICO BRAZIL

LIMITED PARTNERS:



RICO BRAZIL



EDWARD MACKAY