

CERTIFICATE AND AGREEMENT OF LIMITED PARTNERSHIP

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SEC. OF STATE

OF

**HAYDEN LAKE III ASSOCIATES,
AN IDAHO LIMITED PARTNERSHIP**

NOV 13

AM

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WE, THE UNDERSIGNED, ON THIS 5TH DAY OF NOVEMBER, 1990, BEING
DESIROUS OF FORMING A LIMITED PARTNERSHIP NAMED HAYDEN LAKE
III ASSOCIATES, AN IDAHO LIMITED PARTNERSHIP DO HEREBY SWEAR AND
CERTIFY AS FOLLOWS, PURSUANT TO THE IDAHO LIMITED PARTNERSHIP
ACT.

1. NAME OF PARTNERSHIP

THE NAME OF THE PARTNERSHIP IS HAYDEN LAKE III ASSOCIATES,
AN IDAHO LIMITED PARTNERSHIP.

2. CHARACTER OF BUSINESS

THE BUSINESS OF THE PARTNERSHIP SHALL BE TO ACQUIRE REAL
PROPERTY AND TO HOLD SUCH PROPERTY AND TO OPERATE, MANAGE,
SELL AND LEASE AND OTHERWISE DEAL WITH AND DISPOSE OF A
HOUSING PROJECT KNOWN AS A FmHA 515 HOUSING PROJECT LOCATED
IN ALASKA FINANCED BY 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.

3. LOCATION OF THE PRINCIPAL PLACE OF BUSINESS

THE PRINCIPAL PLACE OF BUSINESS OF THE PARTNERSHIP SHALL BE
N. 12425 GEM SHORE ROAD, HAYDEN LAKE, IDAHO 83835, OR SUCH
LOCATION AS MAY BE DETERMINED BY THE GENERAL PARTNERS UPON
NOTICE TO THE LIMITED PARTNERS. THE REGISTERED AGENT FOR
SERVICE OF PROCESS SHALL BE MARTY D. FRANTZ AT THE PRINCIPAL
PLACE OF BUSINESS.

4. NAME AND RESIDENCE OF PARTNERS

GENERAL PARTNERS: MARTY D. FRANTZ
N. 12425 GEM SHORE ROAD
HAYDEN LAKE, IDAHO 83835

LIMITED PARTNERS: FRANTZ CONSTRUCTION CO.
N. 12425 GEM SHORE ROAD
HAYDEN LAKE, IDAHO 83835

5. **PARTNERSHIP TERM**

THE TERM OF THE PARTNERSHIP SHALL COMMENCE ON THE DATE OF EXECUTION OF THIS AGREEMENT AND SHALL CONTINUE FOR SIXTY (60) YEARS UNLESS SOONER TERMINATED BY ONE OF THE FOLLOWING EVENTS: (A) THE BANKRUPTCY, RESIGNATION, INSANITY, DISSOLUTION, DEATH, INCAPACITY OR REMOVAL FROM THE PARTNERSHIP OF A SOLE GENERAL PARTNER; (B) THE SALE OF THE PROJECT; (C) THE WRITTEN CONSENT OF ALL PARTNERS.

6. **INITIAL CONTRIBUTION**

(A) THE GENERAL PARTNERS AND THE LIMITED PARTNER SHALL EACH CONTRIBUTE \$10.00 TO THE CAPITAL OF THE PARTNERSHIP.

(B) THE LIABILITY OF THE LIMITED PARTNER SHALL BE LIMITED TO THE AMOUNT OF CAPITAL CONTRIBUTION REQUIRED TO BE MADE UNDER THE ARTICLE VI, AND THE LIMITED PARTNER SHALL NOT HAVE ANY FURTHER PERSONAL LIABILITY TO CONTRIBUTE MONEY TO, OR IN RESPECT TO THE LIABILITIES OR THE OBLIGATIONS OF, THE PARTNERSHIP, NOR SHALL THEY BE PERSONALLY LIABLE FOR ANY OBLIGATION OF THE PARTNERSHIP.

7. **ADDITIONAL CONTRIBUTION BY THE PARTNERS**

THERE ARE NO CONTRIBUTIONS AGREED TO BE MADE BY THE PARTNERS OTHER THAN THAT REQUIRED BY ARTICLE VI HEREOF.

8. **RETURN OF LIMITED PARTNER'S CONTRIBUTION**

AFTER PAYMENT OF, OR PROVISIONS FOR ALL LIABILITIES OF THE PARTNERSHIP, THE CONTRIBUTION OF THE LIMITED PARTNER SHALL BE RETURNED UPON DISSOLUTION OF THE PARTNERSHIP.

9. **LIMITED PARTNER'S SHARE OF THE PARTNERSHIP PROFITS**

TWO PERCENT (2%) OF THE PROFITS AND LOSSES, TWO PERCENT (2%) OF THE CASH FLOW AND TWO (2%) OF RESIDUAL INTEREST OF THE PARTNERSHIP SHALL BE ALLOCATED TO THE LIMITED PARTNERS.

10. **THE RIGHT OF THE LIMITED PARTNER TO SUBSTITUTE AN ASSIGNEE IN ITS PLACE**

THE RIGHT OF A LIMITED PARTNER TO SUBSTITUTE AN ASSIGNED IN

HIS PLACE AND THE TERMS AND CONDITIONS OF SUCH SUBSTITUTION, ARE AS FOLLOWS: (A) A LIMITED PARTNER MAY NOT ASSIGN HIS INTEREST IN THE PARTNERSHIP WITHOUT THE CONSENT OF THE GENERAL PARTNERS, AND AN ASSIGNEE SHALL NOT BECOME A SUBSTITUTED LIMITED PARTNER WITHOUT THE CONSENT OF THE GENERAL PARTNERS. (B) NO SALE, TRANSFER, EXCHANGE OR OTHER DISPOSITION OF AN INTEREST IN THE PARTNERSHIP MAY BE MADE EXCEPT IN COMPLIANCE WITH THE THEN APPLICABLE RULES AND REGULATIONS OF ANY APPLICABLE GOVERNMENTAL LENDER. (C) THE ADMISSION OF AN ASSIGNEE AS A SUBSTITUTED LIMITED PARTNER SHALL BE CONDITIONED UPON THE ASSIGNEE'S WRITTEN ACCEPTANCE AND ADOPTION OF THE AGREEMENT OF LIMITED PARTNERSHIP GOVERNING THE PARTNERSHIP AND HIS AGREEMENT TO BE BOUND BY THE NOTE MORTGAGE, LOAN AGREEMENT AND ANY OTHER DOCUMENTS WHICH ANY APPLICABLE GOVERNMENT LENDER MAY REQUIRE.

11. THE RIGHT OF THE GENERAL PARTNERS TO ADMIT ADDITIONAL LIMITED PARTNERS

THE GENERAL PARTNERS HAVE THE RIGHT TO ADMIT ADDITIONAL LIMITED PARTNERS SUBJECT TO APPLICABLE GOVERNMENT REGULATIONS AND PROVIDED THE RIGHTS OF THE EXISTING LIMITED PARTNERS ARE NOT DIMINISHED THEREBY.

12. THE RIGHT OF ANY OF THE LIMITED PARTNERS AS TO PRIORITY OVER OTHER LIMITED PARTNERS

NO RIGHT IS GIVEN TO ANY LIMITED PARTNER TO PRIORITY OVER ANY OTHER LIMITED PARTNER AS TO CONTRIBUTIONS OR TO COMPENSATION BY WAY OF INCOME FROM THE ASSETS OR BUSINESS OF THE PARTNERSHIP.

13. THE RIGHT OF THE REMAINING GENERAL PARTNER OR PARTNERS TO CONTINUE THE PARTNERSHIP ON THE DEATH, RETIREMENT, BANKRUPTCY, REMOVAL, DISSOLUTION, OR INSANITY OF A GENERAL PARTNER

IN THE EVENT OF THE DEATH, DISSOLUTION, INSANITY, INCAPACITY, RESIGNATION, REMOVAL, ASSIGNMENT FOR THE BENEFIT OF CREDITORS, FILING OF A PETITION FOR THE REORGANIZATION, OR ADJUDICATION OF BANKRUPTCY, OF ANY GENERAL PARTNER, THE PARTNERSHIP SHALL BE DISSOLVED UNLESS ALL REMAINING PARTNERS AGREE IN WRITING WITHIN NINETY (90) DAYS TO CONTINUE THE PARTNERSHIP. SUCH ACTION SHALL BE SUBJECT TO ANY RULES AND REGULATIONS OF ANY APPLICABLE GOVERNMENTAL LENDER.

14. FOR AS LONG AS THE PROJECT CONTINUES TO BE A RURAL RENTAL HOUSING PROJECT, ALL TERMS OF THIS AGREEMENT AND ALL OPERATIONS OF THE PARTNERSHIP ARE SUBJECT TO THE REGULATIONS OF FmHA.
15. SO LONG AS ANY OF THE FmHA COMMITMENTS ARE IN EFFECT, EACH OF THE PROVISIONS OF THIS AGREEMENT SHALL BE SUBJECT TO THE GENERAL PARTNERS COVENANT TO ACT IN ACCORDANCE WITH THE PROJECT DOCUMENTS WHICH SHALL INCLUDE THE FmHA LOAN AGREEMENT, NOTE, DEED OF TRUST OR MORTGAGE, AND APPLICABLE FmHA RULES AND REGULATIONS.
16. THE PROJECT DOCUMENTS SHALL GOVERN THE RIGHTS AND OBLIGATIONS OF THE PARTNERS, THEIR HEIRS, EXECUTORS, ADMINISTRATORS, SUCCESSORS AND ASSIGNS TO THE EXTENT EXPRESSLY PROVIDED THEREIN.
17. UPON ANY DISSOLUTION OF THE PARTNERSHIP OR ANY TRANSFER OF THE PROJECT, NO TITLE OR RIGHT TO THE POSSESSION AND CONTROL OF THE PROJECT AND NO RIGHT TO COLLECT THE RIGHT THEREFROM SHALL PASS TO ANY PERSON WHO IS NOT, OR DOES NOT BECOME, BOUND BY THE PROJECT DOCUMENTS IN A MANNER SATISFACTORY TO FmHA.
18. THE AFFAIRS OF THE PARTNERSHIP SHALL BE SUBJECT TO FmHA REGULATION AND NO ACTION SHALL BE TAKEN WHICH WOULD REQUIRE THE CONSENT OR APPROVAL OF FmHA UNLESS SAID CONSENT IS FIRST OBTAINED.
19. NO SALARIES OR OTHER COMPENSATION WILL BE PAID TO ANY PARTNER FOR GENERAL SERVICES RENDERED TO THE PARTNERSHIP FROM THE PROCEEDS OF ANY RURAL RENTAL HOUSING LOAN GRANTED TO THE PARTNERSHIP BY FmHA.
20. NO NEW GENERAL PARTNER SHALL BE ADMITTED TO THE PARTNERSHIP AND NO GENERAL PARTNER MAY WITHDRAW FROM THE PARTNERSHIP OR BE SUBSTITUTED FOR A GENERAL PARTNER WITHOUT THE CONSENT OF FmHA, IF SUCH CONSENT IS THEN REQUIRED.
21. THE GENERAL PARTNERS SHALL AT ALL TIMES HOLD AND MAINTAIN A FINANCIAL INTEREST IN THE PARTNERSHIP OF NOT LESS THAN 5% OF THE TOTAL FINANCIAL INTEREST IN THE PARTNERSHIP.

22. AFTER PAYMENT OF THE DEBTS AND LIABILITIES OF THE PARTNERSHIP, ALL REMAINING PROCEEDS FROM THE SALE OR REFINANCING OF THE PROJECT (HEREIN KNOWN AS "REMAINING PROCEEDS") SHALL BE DISTRIBUTED AS FOLLOWS:

THE GENERAL PARTNERS IN AN AGGREGATE AMOUNT NOT LESS THAN 5% OF THE REMAINING PROCEEDS ACCORDING TO THE TERMS OF THIS AGREEMENT. (AFTER DISTRIBUTION OF THESE PROCEEDS TO THE GENERAL PARTNERS, FmHA NEED NOT CONCERN ITSELF WITH DISTRIBUTION OF ANY REMAINING FUNDS.)

23. NO AMENDMENT TO THIS AGREEMENT SHALL BE PERMITTED UNLESS CONSENT TO SUCH AMENDMENT IS OBTAINED FROM FmHA.

24. NO CONVEYANCE OR TRANSFER OF TITLE TO ALL OR ANY PORTION OF THE PROJECT OR PARTNERSHIP ASSETS MAY OCCUR WITHOUT FmHA CONSENT UNLESS THE CONVEYANCE OR TRANSFER IS REQUIRED OR PERMITTED UNDER THIS AGREEMENT.

25. NO VOLUNTARY DISSOLUTION OR TERMINATION OF THE PARTNERSHIP SHALL BE PERMITTED WITHOUT FmHA'S CONSENT.

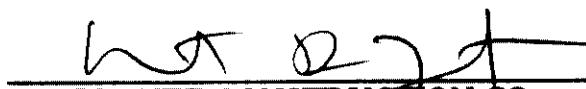
IN WITNESS WHEREOF, THE AGREEMENT HAS BEEN DULY EXECUTED BY THE PARTIES ON THE DAY AND YEAR SET FORTH AT THE BEGINNING OF THIS AGREEMENT.

HAYDEN LAKE III ASSOCIATES,
AN IDAHO LIMITED PARTNERSHIP

GENERAL PARTNERS:


MARTY D. FRANTZ

LIMITED PARTNERS:


FRANTZ CONSTRUCTION CO.

(OWNER)

November 16, 1990

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SEC. OF STATE

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**HAYDEN LAKE ASSOCIATES
N. 12425 GEM SHORE RD.
HAYDEN LAKE, ID 83835**

RE: LETTER OF CONSENT

DEAR HAYDEN III ASSOCIATES,

**PLEASE BE ADVISED WE AUTHORIZED YOU TO USE THE NAME
HAYDEN III ASSOCIATES FOR YOUR NEW DEVELOPMENT.**

**RESPECTIVELY,
HAYDEN LAKE ASSOCIATES**



**MARTY D. FRANTZ
GENERAL PARTNER**