ALLIANT ENERGY CORP
Form 35-CERT
August 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935
File No. 70-9323

REPORT PERIOD
January 1, 2001 through June 30, 2001

In the Matter of

ALLIANT ENERGY CORPORATION, ET AL

ALLIANT ENERGY CORPORATION ("AEC") hereby certifies on behalf of itself, Alliant Energy Resources, Inc. ("AER"), a wholly-owned subsidiary of AEC, Alliant Energy Investments, Inc. ("AEI"), a wholly-owned subsidiary of AER, and Heartland Properties, Inc. ("HPI"), a wholly-owned subsidiary of AEI, that during the period from January 1, 2001 through June 30, 2001 (the "Reporting Period"):

1. The consolidated balance sheet and six-month statement of income for HPI as of the end of the Reporting Period were as set forth in Exhibit A.

2. The amount of revenues and any form of compensation received by HPI during the Reporting Period from any and all LIHTC property interests, directly or indirectly, owned or controlled by HPI were $406,523.

3. The name of each new partnership entered into during the Reporting Period is as follows:

Richland Center WHA Limited Partnership
Maquoketa IHA Senior Housing Limited Partnership

A copy of the corresponding partnership agreement for each partnership is provided in Exhibit B.

4. The amounts of investment made by HPI during the Reporting Period in the LIHTC properties and cumulative comparisons of the $50 million authorized in the SEC's order dated August 13, 1999 are as set forth under Exhibit C.

5. The cumulative number of any and all LIHTC properties and any other investment position in any form of non-utility assets held by HPI at the end of the Reporting Period was ninety-seven.

Said transactions have been carried out in accordance with the terms and conditions of, and for the purpose represented in, the Form U-1 Application-Declaration, as amended, of AEC, et al, in File No. 70-9323, and in accordance with the terms and conditions of the SEC's order dated August 13, 1999, permitting said Application-Declaration to become effective.

DATED: August 14, 2001

ALLIANT ENERGY CORPORATION
ALLIANT ENERGY RESOURCES, INC.
ALLIANT ENERGY INVESTMENTS, INC.
HEARTLAND PROPERTIES, INC.

By: ALLIANT ENERGY CORPORATION

By:/s/ Edward M. Gleason

Edward M. Gleason
Vice President, Treasurer,
& Corporate Secretary

Response to SEC request
File No. 70-9323
Reporting period 1/1/01 through 6/30/01

Exhibit A

Heartland Properties, Inc.-Consolidated Balance Sheet
Including New Investments
As of June 30, 2001
** UNAUDITED **

Cash and cash equivalents	$7,519,089
Trade account receivable	690,269
Allowance for doubtful accounts	(124,425)
Restricted cash - short-term	2,555,744
Loan to Money Pools	1,799,483
Other current assets:	0
Short-term notes receivable	349,600
Current portion of l-t notes rec	0
Deferred income tax	0
Federal income tax receivable	(448,312)
State income tax receivable	21,817
Receivable from parent and affiliates	1,667
Receivable from other related parties	851,159
Other	155,080
Total other current assets	931,011
Total Current Assets	13,371,171
Operating property and equipment	545,672
Rental property	172,156,600
Total property	172,702,272
Accumulated depreciation - operating	458,291
Accumulated depreciation - rental	35,899,141
Total accumulated depreciation	36,357,432

Net Fixed Assets	136,344,840
Net intangible assets	2,196,286
Investment - interco	0
Investment - McLeod	(0)
Restricted cash - long-term	5,588,260
Long-term assets	
Long-term notes receivable	0
Due from related party	2,596,869
Deferred income taxes	0
Equity and other investments	3,828,693
Other	1,433,134
Total long-term assets	7,858,696
TOTAL ASSETS	$165,359,253

Response to SEC request
File No. 70-9323
Reporting period 1/1/01 through 6/30/01

Exhibit A

Heartland Properties, Inc. - Consolidated Balance Sheet
Including New Investments
As of June 30, 2001
** UNAUDITED **

Line of credit borrowing	$0
Payable to parent and affiliates	4,312,872
Total short-term debt	4,312,872
Current maturities of long-term debt	4,183,642
Trade accounts payable	600,264
Payable to other related parties	5,721
Accrued payroll and vacation	75,274
Accrued interest payable	2,181,428
Federal income tax payable	0
State income tax payable	(310,103)
Deferred revenue	3,443
Other current liabilities	3,787,723

Total Current Liabilities	14,840,264
Long-term debt	0
Mortgage notes payable on rental properties	93,224,127
Long-term debt with related party	0
Total long-term debt	93,224,127
Deferred income tax	4,927,016
Other long-term liabilities	2,710,537
TOTAL LIABILITIES	115,701,944
Minority interest	747,983
Common stock	5,915,771
Additional paid in capital	35,091,424
Syndication/stock issuance costs	(487,745)
Total common stock	40,519,450
Dividends paid	(14,880,808)
Retained earnings - prior year	20,846,688
Unrealized Security Gain/Loss	(0)
Current year earnings(loss)	2,423,996
Total reinvested earnings	8,389,876
TOTAL STOCKHOLDERS' EQUITY	48,909,326
TOTAL LIABILITIES AND EQUITY	$165,359,253

Response to SEC request
File No. 70-9323
Reporting period 1/1/01 through 6/30/01

Exhibit A

Heartland Properties, Inc. - Consolidated Income Statement
Including New Investments
For the Six Months Ended June 30, 2001
** UNAUDITED **

Professional services	$170,113
Rental revenue	8,550,259
Gross revenue	8,720,372
Less: reimbursements	

Net revenue	8,720,372
Operating expenses	
Operating expenses	1,894,826
Administrative and general expenses	3,894,556
Depreciation	2,223,721
Amortization	51,786
Taxes other than income	1,036,957
Total operating expenses	9,101,846
Pre-Bonus Operating Inc (Loss)	(381,474)
Bonus	52,500
Post-Bonus Operating Inc (Loss)	(433,974)
Interest income - trade	384,192
Interest income - interco	40,222
Total interest income	424,414
Interest expense - trade	2,652,022
Interest expense - interco	178,030
Total interest expense	2,830,052
Dividend income - trade	0
Dividend income - interco	0
Equity losses in unconsolidated entities	(123,245)
Other income (expense)	(28,667)
Total other income (expense)	(151,912)
Pre-Tax Income (Loss)	(2,991,524)
Federal income tax expense (benefit)	(963,893)
LIH tax credits	(4,217,376)
Federal deferred income tax	0
State deferred income tax	0
State income tax expense (benefit)	(233,820)
Total tax benefit	(5,415,089)
Net Income (Loss) B/F Minority Int.	2,423,565
Minority Interest Net (Income) Loss	(431)

Net Income (Loss) B/F Change in Acctg	2,423,996
Change in Acctg. Princ. Net of Tax	0
Net Income (Loss)	$2,423,996

Response to SEC request.
File No. 70-9323
Reporting period 1/1/01 through 6/30/01

Exhibit B

3. A copy of the partnership agreement for each of the following partnerships is attached.

Richland Center WHA Limited Partnership
Maquoketa IHA Senior Housing Limited Partnership

RICHLAND CENTER WHA LIMITED PARTNERSHIP

AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP

Dated as of January 1, 2001

RICHLAND CENTER WHA LIMITED PARTNERSHIP

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RICHLAND CENTER WHA LIMITED PARTNERSHIP

AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP

ARTICLE 1. -- Preliminary Statement.

Richland Center WHA Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the State of Iowa pursuant to a Limited Partnership Agreement dated March 11, 1998. A certificate of limited partnership of the Partnership was filed with the Filing Office on March 13, 1998. The Partnership was registered as a foreign limited partnership under the laws of the State of Wisconsin effective March 31, 1998.

The purposes of this amendment to and restatement of said Limited Partnership Agreement are to: (i) admit Heartland Properties, Inc., a Wisconsin corporation, as the Investor Limited Partner and to admit Heartland Special Limited, Inc., a Wisconsin corporation, as the Special Limited Partner; (ii) provide for the withdrawal of Jesse D. Burns as the pre-existing limited partner; and (iii) set out more fully the rights, obligations and duties of the General Partner and the Limited

Partners and to restate the Limited Partnership Agreement in its entirety.

It is hereby agreed that the Limited Partnership Agreement is hereby amended and fully restated as provided herein. Capitalized terms not defined in the text hereof shall have the meanings set forth in Article XI.

ARTICLE 2. -- Continuation; Name; and Purpose.

Section 2.1 Continuation.

The parties hereto hereby agree to continue the limited partnership known as Richland Center WHA Limited Partnership, formed pursuant to the provisions of the Uniform Act.

Section 2.2 Name and Office.

The Partnership shall continue to be conducted under the name of Richland Center WHA Limited Partnership. The principal office of the Partnership shall be at 319 East Washington Street, P.O. Box 1226, Iowa City, Johnson County, Iowa 52244-1226, and the Partnership may also maintain offices at the Property. The resident agent for service of process on the Partnership in Iowa shall be Robert P. Burns, and in Wisconsin shall be Heartland Special Limited, Inc., Hovde Building, 6th Floor, 122 West Washington Avenue, Madison, WI 53703-2718. The General Partner may at any time change the location of a Partnership office or the identity or address of its resident agents and shall give due notice of any such change to the Limited Partners.

Section 2.3 Purpose.

The purpose of the Partnership is to acquire, construct, develop, improve, own, maintain, operate, manage, lease, sell, and otherwise deal with the Property. The Partnership and the General Partner shall operate the Property in accordance with the Property Documents and any applicable governmental regulations. The Partnership shall not engage in any other business or activity.

Section 2.4 Authorized Acts.

In furtherance of its purposes, but subject to all other provisions of this Agreement including, but not limited to, Article III and Article VI, the Partnership is hereby authorized, and the General Partner shall have full power, authority and discretion to cause the Partnership:

(i) To acquire by purchase, lease or otherwise any real or personal property which may be necessary, convenient or incidental to the accomplishment of the purposes of the Partnership.

(ii) To construct, operate, maintain, finance and improve, and to own, sell, convey, assign, mortgage or lease any real estate and any personal property necessary, convenient or

incidental to the accomplishment of the purposes of the Partnership.

(iii)To borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Partnership, and to secure the same by mortgage, pledge or other lien on the Property or any other assets of the Partnership.

(iv) To prepay in whole or in part, refinance, recast, increase, modify or extend a Mortgage and in connection therewith to execute any extensions, renewals, or modifications of the Mortgages.

(v) To employ a Management Agent, including an Affiliate, to manage the Property, and to pay reasonable compensation for such services.

(vi) To enter into, perform and carry out contracts of any kind, including contracts with Affiliates, necessary to, in connection with or incidental to, the accomplishment of the purposes of the Partnership, specifically including, but not limited to, the execution and delivery of the Property Documents, and all other agreements, certificates, instruments or documents required by the Lenders in connection with the Property Documents and the acquisition, construction, development, improvement, maintenance and operation of the Property or otherwise required by the Lenders in connection with the Property.

(vii)To enter into any kind of activity and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to, the accomplishment of the purposes of the Partnership, so long as said activities and contracts may be lawfully carried on or performed by a partnership under the laws of the State.

Section 2.5 Term and Dissolution.

The Partnership shall continue in full force and effect until December 31, 2049, except that the Partnership shall be dissolved prior to such date upon the happening of any of the following events:

1. The sale or other disposition of all or substantially all the assets of the Partnership; or

2. The Retirement of a General Partner if no General Partner remains and the Partnership is not reconstituted with a successor General Partner pursuant to Section 8.3; or

3. The occurrence of any event which would cause the dissolution of the Partnership under the Uniform Act notwithstanding the agreement of the Partners or the election of a General Partner to continue the business of the Partnership. The Partners agree, and the General Partner agrees to elect, to continue the business of the Partnership under all circumstances permitted by the Uniform Act.

Upon dissolution of the Partnership, unless the Partnership

is reconstituted pursuant to Section 8.3, the General Partner (or its trustees, receivers, successors, or legal representatives) shall cause the cancellation of the Partnership's Certificate of Limited Partnership as then in force, and shall liquidate the Partnership assets and apply and distribute the proceeds thereof in accordance with Section 5.3. Notwithstanding the foregoing, in the event such liquidating General Partner shall determine that an immediate sale of part or all of the Partnership's assets would cause undue loss to the Partners, the liquidating General Partner may, with the prior consent of the Special Limited Partner, in order to avoid such loss, either (i) delay liquidation of, and withhold from distribution for a reasonable time, any assets of the Partnership except those necessary to satisfy Partnership debts and obligations other than debts provided for in Section 5.2.B, Clauses Two and following, or (ii) distribute the assets to the Partners in kind.

ARTICLE 3. -- Partners; Capital

Section 3.1 General Partner.

The General Partner of the Partnership is Burns & Burns, L.C., an Iowa limited liability company, at the address set forth on the Schedule. The General Partner has made a Capital Contribution to the Partnership in the total amount of $100.00 The General Partner shall not be obligated or permitted to make additional Capital Contributions to the Partnership, except that the General Partner shall be obligated to make such additional Capital Contributions to meet Development Cost shortfalls as provided in Section 6.9.B.

Section 3.2 Limited Partners.

1. On the Admission Date, Heartland Special Limited, Inc., a Wisconsin corporation, shall be admitted to the Partnership as the Special Limited Partner, Heartland Properties, Inc., a Wisconsin corporation, shall be admitted to the Partnership as the Investor Limited Partner, and thenceforth the Limited Partners shall be those Limited Partners shown on the Schedule. The addresses of each of the Limited Partners shall be as set forth on the Schedule.

2. Jesse D. Burns hereby withdraws as a Limited Partner, effective on the Admission Date, and acknowledges that as of the Admission Date he (i) has received a return of his capital contribution in his capacity as a withdrawn Partner, and (ii) no longer has any interest in or rights or claims against the Partnership in his capacity as a withdrawn Limited Partner or for unpaid fees or compensation earned prior to the Admission Date.

Section 3.3 Partnership Capital.

1. The capital of the Partnership shall be the aggregate amount of the cash and the agreed value of property contributed by the General Partner, and the aggregate amount of the cash contributed by the Limited Partners, which amounts are hereby agreed to be those set forth in the Schedule. The Schedule shall be amended

from time to time to reflect the withdrawal or admission of Partners, any changes in the Partnership interests held by a Partner arising from the transfer of a Partnership interest to or by such Partner and any change in the amounts to be contributed or agreed to be contributed by any Partner; provided that no funds provided by a Partner shall be deemed to be additional Capital Contributions unless payment thereof is pursuant to a specific provision of this Agreement requiring or permitting the making of additional Capital Contributions.

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2. An individual Capital Account shall be established and maintained for each Partner, including any additional or substituted Partner who shall hereafter receive an interest in Partnership. The Capital Account of each Partner shall consist of (a) the amount of cash such Partner contributes to the Partnership, plus (b) the fair market value of any property such Partner contributes to the Partnership net of any liabilities assumed by the Partnership or to which such property is subject, plus (c) the amount of profits and gain and tax exempt income allocated to such Partner, minus (d) the amount of losses and deductions allocated to such Partner, minus (e) the amount of all cash distributed to such Partner, minus (f) the fair market value of any property distributed to such Partner net of any liabilities assumed by such Partner or to which such property is subject, minus (g) the amount of any other expenditures which are not deductible by the Partnership for Federal income tax purposes or which are not allowable as additions to the basis of Partnership property and which are allocated to such Partner. Each Capital Account shall also be subject to such other adjustments as may be required under the Code and Treasury Regulations. The Capital Account of a Partner shall not be affected by any adjustments to basis made pursuant to Section 743 of the Code.

3. The original Capital Account established for any substituted Partner shall be in the same amount as, and shall replace, the Capital Account of the Partner which such substituted Partner succeeds, and, for the purposes of this Agreement, such substituted Partner shall be deemed to have made the Capital Contribution, to the extent actually paid in, of the Partner which such substituted Partner succeeds. The term "substituted Partner", as used in this paragraph, shall mean a Person who shall become entitled to receive a share of the profits, losses and distributions of the Partnership by reason of such Person succeeding to the interest in the Partnership of a Partner by assignment of all or any part of a Partner's interest in the Partnership. To the extent a substituted Partner receives less than 100% of the interest in the Partnership of a Partner he succeeds, the original Capital Account of such substituted Partner and his Capital Contribution shall be in proportion to the interest he receives and the Capital Account of the Partner who retains a partial interest in the Partnership and his Capital Contribution shall continue, and not be replaced, in proportion to the interest he retains. Nothing in this Section 3.3 shall affect the limitations on transferability of Partnership interests set forth in this Agreement.

Section 3.4 Withdrawal of Capital.

Except as may be specifically provided in Article V hereof, no Partner shall have the right to withdraw from the Partnership all or any part of his Capital Contribution. No Partner shall have any right to demand and receive property or cash of the Partnership in return of his Capital Contribution except as may be specifically provided in this Agreement.

Section 3.5 Liability of Limited Partners.

No Limited Partner shall be liable for any debts, liabilities, contracts or obligations of the Partnership except to the extent such Limited Partner shall undertake such liability pursuant to a separate written instrument. A Limited Partner shall be liable to the Partnership only to make payments of his Capital Contribution as and when due hereunder, and, after his Capital Contribution shall be fully paid, no Limited Partner shall, except as otherwise required by the Uniform Act, be required to make any further Capital Contributions or lend any funds to the Partnership.

Section 3.6 Additional Limited Partners.

1. Except as may be expressly provided elsewhere in this Agreement, the General Partner shall have no right or authority to admit Limited Partners other than those being admitted pursuant to Section 3.2 unless such admission shall have received the Consent of the Special Limited Partner.

2. Any incoming Limited Partner shall, as a condition of receiving any interest in Partnership property, agree to be bound by the Property Documents to the same extent and on the same terms as all other Partners of the same class. Any incoming Limited Partner shall also agree to be bound by the provisions of this Agreement.

3. Upon the admission of any additional Limited Partners, the Schedule shall be amended to reflect the names, addresses and Capital Contributions of such additional Limited Partners, and the date each Limited Partner is admitted to the Partnership.

ARTICLE 4. -- Limited Partner Capital Contributions

Section 4.1 Capital Contributions.

1. The Special Limited Partner shall pay its entire Capital Contribution of $100.00 to the Partnership in cash on the Admission Date. The Investor Limited Partner shall make its Capital Contributions in the total amount of $361,804, which shall be paid in Installments (subject to the provision of Section 4.2.C) as set forth in the following payment schedule (the "Payment Schedule") and upon satisfaction of the conditions set forth in Section 4.1.B:

(1) The first installment in the amount of $289,444 (the "First Installment") shall be contributed on the Admission Date.

(2) The second installment in the amount of $36,180 (the "Second Installment") shall be contributed on the later of (a) Full Completion, (b) Basis Certification, and (c) 8609 Issuance.

(3) The third installment in the amount of $36,180 (the "Third Installment") shall be contributed on the initial occupancy of all dwelling units in the Property by Qualified Tenants.

All Capital Contributions received by the Partnership shall be used only for Partnership purposes permitted by this Agreement.

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2. The obligation of the Investor Limited Partner to pay to the Partnership each Installment is subject to the conditions that (i) each of the preceding Installments shall have become due and payable and (ii) the delivery by the General Partner to the Special Limited Partner of a written certificate (the "Certificate"), which shall be addressed to the Special Limited Partner and the Investor Limited Partner and signed by the General Partner, and which shall state that, as of the date of execution of such Certificate, (i) the Installment in question is due and payable to the Partnership (except with regard to the mere passage of time to any certain date set forth in the Payment Schedule), and (ii) all preconditions (except with regard to the mere passage of time to any certain date set forth in the Payment Schedule), representations, warranties and agreements applicable to such Installment set forth in Sections 4.1 and 6.6 and elsewhere in this Agreement have been satisfied, or are true and correct, as the case may be; provided, however, that the Investor Limited Partner shall not withhold funding of an Installment because a lien exists against the Property in violation of the representation contained under Section 6.6.I, if (i) that lien is being disputed by the Partnership, (ii) a bond is filed to cover such lien pursuant to section 572.15 of the Iowa state statutes, and (iii) the representation under Section 6.6.I would be true if such bond were used to pay such lien. The Certificate shall include as an exhibit thereto a copy of the title insurance commitment or policy for the Property including all endorsements (the most recent of which must be dated within 15 days of the date of the Certificate) verifying that no liens, deeds or other document effecting title to the Property have been filed against the Property since the date of the last title update, and otherwise evidencing the accuracy of the representation set forth in Section 6.6.I. The Certificate delivered with respect to the First Installment shall be dated as of the Admission Date, and the Certificate delivered with respect to each subsequent Installment shall be dated no earlier than 15 days prior to the date of payment of such Installment. By acceptance of such Installment on behalf of the Partnership, the General Partner shall be deemed to have reaffirmed and ratified the Certificate as of the date such Installment is paid to the Partnership.

3. If as of the date when any Installment or portion thereof would otherwise be payable to the Partnership pursuant to the Payment Schedule, the Certificate required under Section 4.1.B

cannot truthfully be given, then the Installment shall not be payable to the Partnership unless and until (a) the General

Partner shall resolve the circumstances which prevent delivery of such Certificate, (b) such resolution shall have been effected in a manner and under circumstances such that the Investor Limited Partner shall not have irrevocably lost any substantial part of the benefits of this Agreement, (c) the General Partner shall not otherwise be in default hereunder and (d) the Certificate shall be delivered in compliance with the provisions of Section 4.1.B; provided, however, that, if the foregoing prerequisites to payment of such Installment shall not be met on or before December 31, 2002, then the Partnership shall forever waive all right to receive any portion of such Installment; provided, however, that if (i) the General Partner is unable to deliver the Certificate by that date because one or more of the representations required under Section 6.6 are not true, (ii) the General Partner has requested from the Special Limited Partner additional time to correct the situation(s) making such representations untrue, and (iii) the Special Limited Partner has granted its Consent to the request for additional time (which Consent shall not be unreasonably withheld), then the date after which the Partnership shall forever waive all right to receive any portion of such Installment shall be extended from December 31, 2002 to such later date as the General Partner has requested and the Special Limited Partner given its Consent.

Section 4.2 Special Adjustments.

Upon occurrence of the events set forth in the following paragraphs, the following adjustments shall be made:

1. Low Income Housing Credit Adjustment.
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(1) If the Annual Reported Credit which will apply to each year of the Credit Period is less than $46,893, then the General Partner shall pay to the Investor Limited Partner, in the manner provided in Section 4.2.C below, an Adjustment Amount equal to 77% of the excess of (a) the sum of the Projected Credit for all years included in the table in the definition of "Projected Credit" minus (b) the sum of the Low Income Housing Credit which will be allocated to the Investor Limited Partner for all such years based on the Annual Reported Credit. If instead such Annual Reported Credit is greater than $46,893, then an offsetting Adjustment Amount shall be determined as aforesaid which shall be applied to reduce any Adjustment Amount which would otherwise be due pursuant to Sections 4.2.A(2) or (3) or Section 4.2.B.

(2) In the event that the Actual Credit for 2001 is less than the Projected Credit for such year (after the Projected Credit has been revised by any adjustment made pursuant to Section 4.2.A(1) above), then the General Partner shall pay to the Investor Limited Partner, in the manner provided in Section 4.2.C below, an Adjustment Amount equal to 75% of the total shortfall in Projected Credit, and, to the extent the shortfall will be deferred pursuant to Section 42(f)(2)(B) of the Code, the Projected Credit for 2011 shall be respectively increased.

(3) If for any reason (except changes in federal income tax law), the amount of Actual Credit for any year is less than the Projected Credit for such year after the Projected Credit has been revised by any adjustments made pursuant to Sections 4.2.A(1) or 4.2.A(2) above), then the General Partner shall pay to the Investor Limited Partner, in the manner provided in Section 4.2.C below, an Adjustment Amount equal to the sum of (a) the shortfall in Projected Credit for such year and the corresponding shortfall for all future years which will also occur due to the circumstances in question, plus (b) the amount of any Low Income Housing Credit recapture amount (as defined in Code Section 42(j), including any interest and/or penalties due to the Internal Revenue Service) and an amount sufficient to pay any tax liability owed by the Limited Partners resulting from receipt of the foregoing amounts (calculated at an assumed tax rate of 40%). It is understood and acknowledged that the provisions of this Section 4.2.A(3) may be applied with respect to each year of the Credit Period.

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(4) "Projected Credit" shall mean the amount for each year expected to be allocated to the Investor Limited Partner as set forth in the table below:

Year	Projected Credit
2001	$25,987
2002 and each year thereafter through 2010	$46,893
2011	$20,906

When any adjustment is made pursuant to this Section 4.2.A, the "Projected Credit" for purposes of any future adjustment shall be revised to equal the Actual Credit on which such adjustment was computed.

(5) "Actual Credit" means, with respect to any tax year, the total amount of Low Income Housing Credit actually reported by the Partnership on its tax return for that tax year and allocated to the Investor Limited Partner and not disallowed by any taxing authority, as subsequently adjusted (if applicable) by any Tax Credit recapture amounts (as defined in Section 42(j)(2) of the Code).

(6) "Annual Reported Credit" means the annual amount of Low Income Housing Credit which is expected to be allocated by the Partnership to the Investor Limited Partner on the Partnership tax return for each year of the Credit Period (subject only to timing adjustments such as placed in service and occupancy dates), as determined and reflected in a statement to be prepared by the Accountants after Full Completion and 8609 Issuance and which (a) shall be based on an audit by the Accountants of Development Costs, (b) shall include supporting documentation and/or certifications from the General Partner and the Accountants indicating the date when each building comprising the Property was placed in service and indicating the number and percentage of tenants occupying units in the Property who are Qualified Tenants and (c) on which the Accountants shall express a favorable opinion as to fair presentation. In no event shall the amount of the Development Completion Fee which is taken into

account in computing the Annual Reported Credit exceed the lesser of (a) the amount of such fee actually paid or to be paid pursuant to Section 6.11.A and (b) the amount allowable by the Credit Agency.

2. Intentionally Omitted.

3. Adjustment Procedure.

When an "Adjustment Amount" shall become due from the General Partner pursuant to this Section 4.2, it shall be paid to the Investor Limited Partner (together with interest from the

date the Adjustment Amount is determined to the date paid at the annual rate of the Prime Rate plus 4%, if the Adjustment Amount exceeds the amount of the succeeding Installments or is determined after all Installments have been paid) by paying such amount to the Partnership in satisfaction of the Investor Limited Partner's obligation to pay the corresponding amount of the Installment which is next due (and, if necessary, succeeding Installments in order until the Adjustment Amount is fully paid), and the Investor Limited Partner shall pay only the remaining amount (if any) of such Installment(s).

If the Adjustment Amount (including interest as aforesaid) exceeds the amount of the succeeding Installments or is determined after all Installments have been paid, then the General Partner shall pay, not later than 15 days following the determination of the Adjustment Amount, to the Investor Limited Partner an amount equal to any portion of the Adjustment Amount which cannot be applied to succeeding Installments. If such amount is not paid to the Investor Limited Partner by the date required above, then the interest rate accruing thereon shall be increased to the rate of 15% per annum retroactively to the beginning of the interest accrual period.

The payment made to the Partnership on behalf of the Investor Limited Partner shall be deemed to be indemnification paid to the Investor Limited Partner by the General Partner for breach of warranty of the availability of the full Projected Credit and/or the full depreciation tax deductions, shall not constitute a Capital Contribution, loan or advance by the General Partner and shall not be reimbursable or repayable to the General Partner by the Partnership or the Investor Limited Partner. If the General Partner shall default in making such payment to the Partnership, the Partnership's remedies shall be only against the General Partner and the Investor Limited Partner shall nevertheless be deemed to have paid its entire Installment in full.

Section 4.3 Repurchase Obligation of the General Partner.

Upon the occurrence of any of the Repurchase Events set forth below, each Limited Partner shall have the right to elect

to sell its interest in the Partnership by sending written notice (the "Election Notice") thereof to the General Partner at any time (provided that such notice must be sent within 90 days after receipt by such Limited Partner of notice of the occurrence of a Repurchase Event from the General Partner (which notice the General Partner shall be obligated to give promptly to each Limited Partner). The purchase shall be made by the General Partner within 75 days after the receipt of the Election Notice. The "Repurchase Events" which shall create the aforesaid right to be repurchased shall be any of the following:

1. The failure of the Partnership to achieve Minimum Set Aside and to continue to maintain occupancy in compliance with Minimum Set Aside throughout the Compliance Period; or

2. A determination by the Special Limited Partner or the Internal Revenue Service that the Property is ineligible for 10% or more of the Projected Credit.

3. The failure of the Partnership to execute and record by December 31, 1999 a valid extended use agreement as required pursuant to Section 42 of the Code.

The purchase price for any of the purchases described above shall be an amount in cash equal to the Outstanding Capital of each selling Limited Partner plus interest at the annual rate of the Prime Rate plus 4%, from the occurrence of the Repurchase Event through the date the purchase price is paid, less the value of the financial benefits previously received by the selling Limited Partner through the first day of the month in which the Repurchase Event occurs. (The financial benefits received by the selling Limited Partner shall be computed as: (i) tax credits allocated to the selling Limited Partner multiplied by 72%, plus (ii) tax losses allocated to the selling Limited Partner multiplied by 40%, plus (iii) cash distributions received by the selling Limited Partner.) If at the time of such repurchase, the payment of the purchase price plus interest to the selling Limited Partners constitutes a violation of the Uniform Act, the General Partner shall (i) contribute sufficient additional Capital to the Partnership to permit such repurchase without constituting such a violation, and (ii) shall indemnify and hold harmless each selling Limited Partner against all loss and damage by reason of such repurchase being in violation of the Uniform Act.

Upon the purchase of such interest the General Partner shall become a Substitute Investor Limited Partner to the extent of the Limited Partner interest acquired by such General Partner, and the interest as a Limited Partner of each selling Limited Partner shall terminate. Upon the occurrence of any event which requires the General Partner to give notice of the obligation of the General Partner to purchase the interest of the Limited Partners, as herein described, the Investor Limited Partner shall have no further obligation to pay any subsequent Installment of its Capital Contribution unless the Investor Limited Partner fails to elect, within the time described above, to have its interest repurchased.

ARTICLE 5. -- Profits, Losses and Distributions

Section 5.1 Profits, Losses and Tax Credits.

1. Except as otherwise provided in this Article V, for each fiscal year or portion thereof, all profits, tax-exempt income, gains, losses, nondeductible expenditures and tax credits incurred and/or accrued by the Partnership, other than those arising from a Capital Transaction, shall be allocated 1% to the General Partner, and 99% to the Limited Partners.

2. Except as otherwise provided in this Article V, all profits and losses arising from a Capital Transaction shall be shared by the Partners, as of the end of the fiscal year in which such Capital Transaction occurs, as follows:

As to profits:

First, an amount of profit equal to the aggregate negative balances (if any) in the Capital Accounts of all Partners having negative Capital Accounts shall be allocated to such Partners in proportion to the negative Capital Account balances until all such Capital Accounts shall have a zero balance; and

Second, an amount of profits shall be allocated to each of the Partners until the positive balance in the Capital Account of each Partner equals the amount of cash which would be distributed to such Partner in accordance with the provisions of Clauses Fifth through Eighth of Section 5.2.B if the aggregate amount of such Capital Accounts balances were cash available for distribution.

As to losses:

First, an amount of losses equal to the aggregate positive balances (if any) in the Capital Accounts of all Partners having positive balance Capital Accounts shall be allocated to such Partners in proportion to their positive Capital Account balances until all such Capital Accounts shall have zero balances; provided, however, that if the amount of losses so to be allocated is less than the sum of the positive balances in the Capital Accounts of those Partners having positive balances in their Capital Accounts, then such losses shall be allocated to the Partners in such proportions and in such amounts so that the Capital Account balances of each Partner shall equal, as nearly as possible, the amount such Partner would receive if an amount equal to the excess of (a) the sum of all Partners' balances in their Capital Accounts computed prior to the allocation of losses under this clause First over (b) the aggregate amount of losses to be allocated to the Partners pursuant to this clause First were distributed to the Partners in accordance with the provisions of Clauses Fifth through Eighth of Section 5.2.B; and

Second, the balance, if any of such losses, to those Partners and in those percentage shares set forth in Section 5.1.A.

C. Notwithstanding the foregoing provisions of

Sections 5.1.A and 5.1.B, in no event shall any losses be allocated to a Limited Partner if and to the extent that such allocation would cause, as of the end of the Partnership taxable year, the negative balance in such Limited Partner's Capital Account to exceed such Limited Partner's obligation, if any, to restore deficits in his Capital Account pursuant to Section 5.3.A or deemed under Treasury Regulation Section 1.704-1(b)(2)(ii)(c) plus such Limited Partner's share of Partnership Minimum Gain plus such Limited Partner's share of Partner Non-Recourse Debt Minimum Gain. Any losses which are not allocated to the Limited Partners by virtue of the application of this Section 5.1.C shall be allocated to the General Partner. For purposes of this Section, a Partner's Capital Account shall be treated as reduced by Qualified Income Offset Items.

D. The terms "profits" and "losses" used in this Agreement shall mean income and losses, and each item of income, gain, loss, deduction or credit entering into the computation thereof, as determined in accordance with the accounting methods followed by the Partnership computed in a manner consistent with Treasury Regulation Section 1.704-1(b)(2)(iv). Profits and losses for federal income tax purposes shall be allocated in the same manner as profits and losses in this Section 5.1 subject to Section 5.4.A.

Section 5.2 Distributions Prior to Dissolution.

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A. Distributions of Cash Flow. Cash Flow for each fiscal year (or fractional portion thereof) following the Admission Date shall be applied as follows:

(1) First, to the payment of outstanding Operating Deficit Loans;

(2) Second, any remaining Cash Flow shall be applied in the following priority:

(a) Fifty percent (50%) of remaining Cash Flow shall be applied first to the payment of the Incentive Management Fee, and second, the remainder to a distribution to the General Partner.

(b) The other fifty percent (50%) of remaining Cash Flow shall be distributed 1.0% to the General Partner (less any distributions made to the General Partner pursuant to clause (2)(a)) and the balance shall be distributed to the Limited Partners.

Distributions of Cash Flow to the Partners shall be made at such reasonable intervals during the fiscal year as shall be determined by the General Partner, and in any event shall be made within 45 days after approval from USDA-Rural Development..

1. Distributions of Capital Transaction Proceeds. Prior to dissolution, and subject to any applicable Lender regulations, if the General Partner shall determine from time to time that there are cash proceeds available for distribution from a Capital Transaction, such cash proceeds shall be applied or distributed,

as the case may be, as follows:

First, to the discharge, to the extent required by any lender or creditor, of debts and obligations of the Partnership, but excluding debts and obligations provided for below in this Section 5.2.B;

Second, to fund reserves for contingent liabilities to the extent deemed reasonable by the General Partner, the Special Limited Partner and the Accountants;

Third, to the payment of outstanding Operating Deficit Loans;

Fourth, in connection with any sale of the Property (meaning the transfer of ownership of the Property to another Person), the Partnership shall pay to the General Partner or its designee a sales commission equal to the lesser of (i) six percent (6%) of the sales price of the Property, or (ii) the fee which would customarily be payable to third parties for such services, less any amount actually paid by the Partnership to third parties for such services.

Fifth, to the General Partner an amount equal to five percent (5%) of remaining proceeds, less any amount paid to the General Partner pursuant to clause Fourth above;

Sixth, to the Investor Limited Partner an amount equal to its Outstanding Capital;

Seventh, to the General Partner an amount equal to its Outstanding Capital, plus any amounts paid by the General Partner to the Partnership pursuant to Section 5.3.A to bring such General Partner's negative Capital Account balance up to zero; and

Eighth, any balance thereof, 60% to the General Partner and 40% to the Limited Partners.

Section 5.3 Distributions Upon Dissolution.

1. Upon dissolution and termination, after payment of, or adequate provision for, the debts and obligations of the Partnership, the remaining assets of the Partnership (or the proceeds of sales or other dispositions in liquidation of the Partnership assets, as may be determined by the remaining or surviving General Partner) shall be distributed to the Partners in accordance with the positive balances in their Capital Accounts after taking into account all Capital Account adjustments for the Partnership taxable year, including adjustments to Capital Accounts pursuant to Sections 5.1.B and 5.3.B. In the event that a General Partner has a negative balance in its Capital Account following the liquidation of the Partnership or its interest in the Partnership after taking into account all Capital Account adjustments for the Partnership taxable year in which the liquidation occurs, such General Partner shall pay to the Partnership in cash an amount equal to the negative balance in its Capital Account. Such payment shall be made by the end of such taxable year (or, if later, within 90 days after the date of such liquidation) and shall, upon

liquidation of the Partnership, be paid to recourse creditors of the Partnership or distributed to other Partners in accordance with the positive balances in their Capital Accounts.

2. With respect to assets distributed in kind to the Partners in liquidation or otherwise, (i) any unrealized appreciation or unrealized depreciation in the values of such assets shall be deemed to be profits and losses realized by the Partnership immediately prior to the liquidation or other distribution event; and (ii) such profits and losses shall be allocated to the Partners in accordance with Section 5.1.B hereof, and any property so distributed shall be treated as a distribution of an amount in cash equal to the excess of such fair market value over the outstanding principal balance of and accrued interest on any debt by which the property is encumbered. For the purposes of this Section 5.3.B, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the fair market value of such assets, taking into account the fair market value of the associated financing (but subject to Section 7701(g) of the Code), and the Partnership's adjusted basis in such assets computed in accordance with Treasury Regulation Section 1.704-1(b). This Section 5.3.B is merely intended to provide a rule for allocating unrealized gains and losses upon liquidation or other distribution event, and nothing contained in this Section 5.3.B or elsewhere in this Agreement is intended to treat or cause such distributions to be treated as sales for value. The fair market value of such assets shall be determined by an appraiser to be selected by the General Partner with the Consent of the Special Limited Partner.

Section 5.4 Special Provisions.

Notwithstanding the foregoing provisions in this Article V:

A. For federal income tax purposes, income, gain, loss and deduction with respect to property which has a variation between its basis computed in accordance with Treasury Regulation Section 1.704-1(b) and its basis computed for federal income tax purposes shall be shared among Partners so as to take account of such variation in a manner consistent with the principles of Section 704(c) of the Code and Treasury Regulation 1.704-3.

B. Except as otherwise provided in this Article V where profits, losses or distributions are allocated according to Capital Account balances, all profits, losses, credits and distributions shared by the Partners in each class of Partners (e.g., the General Partner class or the Limited Partner class) shall be shared by each Partner in such class in the percentages set forth on the Schedule.

C.1. If (i) the Partnership incurs recourse obligations or Partner Non-Recourse Debt to the General Partner or any Related Persons (including without limitation Operating Deficit Loans) or (ii) the Partnership incurs losses from extraordinary events which are not recovered from insurance or otherwise (collectively "Recourse Obligations") in respect of any Partnership taxable year, then the calculation and allocation of

profits and losses shall be adjusted as follows: first, an amount of deductions (consisting of operating expenses but not cost recovery deductions) attributable to the Recourse Obligations shall be allocated to the General Partner; and second, the balance of such deductions shall be allocated as provided in Section 5.1.A.

C.2. If the Partnership makes any payment with respect to an obligation with respect to which an allocation of deductions was made under Section 5.4.C.1, then the calculation and allocation of profit and losses in respect of the Partnership taxable year of such payment shall be adjusted as follows: first, an allocation of gross income shall be allocated to the Partner or Partners to whom the deductions were allocated under Section 5.4.C.1 in an amount equal to the lesser of (i) the amount of such deductions minus all previous allocations with respect to such deductions under this Section 5.4.C.2 or (ii) the amount of such payment; and second, the balance of such gross income shall be allocated as provided in Section 5.1.A.

D. If there is a net decrease in Partner Non-Recourse Debt Minimum Gain during a Partnership taxable year, then each Partner with a share of the minimum gain attributable to such debt at the beginning of such year will be allocated items of income and gain (including gross income if necessary) for such year (and, if necessary, subsequent years) in proportion to, and to the extent of, an amount equal to such Partner's share of the net decrease in Partner Non-Recourse Debt Minimum Gain during the year. A Partner is not subject to this Partner Non-Recourse Debt Minimum Gain chargeback to the extent that any of the exceptions provided in Treasury Regulation Section 1.704-2(i)(4) applied consistently with Treasury Regulation Section 1.704-2(f)(2)-(5) apply. Such allocations shall be made in a manner consistent with the requirements of Treasury Regulation Section 1.704-2(i)(4) under Section 704 of the Code.

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E. If the Partnership shall receive any purchase money indebtedness in partial payment of the purchase price of the Property and such indebtedness is distributed to the Partners pursuant to the provisions of Section 5.2.B or Section 5.3, the distributions of the cash portion of such purchase price and the principal amount of such purchase money indebtedness hereunder shall be allocated among the Partners in the following manner. On the basis of the sum of the principal amount of the purchase money indebtedness and cash payments received on the sale (net of amounts required to pay Partnership obligations and fund reasonable reserves), there shall be calculated the percentage of the total net proceeds distributable to each class of Partners based on Section 5.2.B or under Section 5.3, as applicable, treating cash payments and purchase money indebtedness principal fungibly for this purpose, and the respective classes shall receive such respective percentages of the net cash purchase price and purchase money principal. Payments on such purchase money indebtedness retained by the Partnership shall be distributed in accordance with the respective portions of principal allocated to the respective classes of Partner in accordance with the preceding sentence, and if any such purchase money indebtedness shall be sold, the sale proceeds shall be

allocated in the same proportion.

F. If there is a net decrease in Partnership Minimum Gain during a Partnership taxable year, each Partner will be allocated items of income and gain (including gross income if necessary) for such year (and, if necessary, subsequent years) in the proportion to, and to the extent of, an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain during the year. A Partner is not subject to this Partnership Minimum Gain chargeback to the extent that any of the exceptions provided in Treasury Regulation Section 1.704-2(f)(2)-(5) apply. Such allocations shall be made in a manner consistent with the requirements of Treasury Regulation Section 1.704-2(f) under Section 704 of the Code.

G. If a Limited Partner unexpectedly receives (1) an allocation of loss or deduction or expenditures described in Section 705(a)(2)(B) of the Code made (a) pursuant to Section 704(e)(2) of the Code to a donee of an interest in the Partnership, (b) pursuant to Section 706(d) of the Code as the result of a change in any Partner's interest in the Partnership, or (c) pursuant to Regulation Section 1.751-1(b)(2)(ii) as a result of a distribution by the Partnership of unrealized receivables or inventory items or (2) a distribution, and such allocation and/or distribution would cause the negative balance in such Partner's Capital Account to exceed such Partner's obligation, if any, to restore deficits in its Capital Account pursuant to Section 5.3.A or deemed under Treasury Regulation Section 1.704-1(b)(2)(ii)(c) plus its share of Partner Non-Recourse Debt Minimum Gain plus its share of Partnership Minimum Gain, then such Partner shall be allocated items of income and gain (including gross income if necessary) in an amount and manner sufficient to eliminate such negative balance as quickly as possible. For purposes of this Section, a Partner's Capital Account shall be treated as reduced by Qualified Income Offset Items.

H. Notwithstanding anything to the contrary herein, it is the intention of the Partnership to conform to the requirements of any Treasury regulations issued with respect to the allocation of Partnership items, in a manner maximizing the benefits to the Limited Partners, particularly with regard to any special provisions with respect to nonrecourse indebtedness. The General Partner may, with the Consent of the Special Limited Partner, amend Article V to comply with any such regulations.

I. In applying the provisions of Article V with respect to distributions and allocations, the following ordering of priorities shall apply:

(1) Capital Accounts shall be deemed to be reduced by Qualified Income Offset Items.

(2) Capital Accounts shall be reduced by distributions of Cash Flow under Section 5.2.A.

(3) Capital Accounts shall be reduced by

distributions from Capital Transactions under Section 5.2.B.

(4) Capital Accounts shall be increased by any Minimum Gain chargeback under Section 5.4.D or 5.4.F.

(5) Capital Accounts shall be increased by any Qualified Income Offset under Section 5.4.G.

(6) Capital Accounts shall be increased by allocations of profits under Section 5.1.A.

(7) Capital Accounts shall be reduced by allocations of losses under Section 5.1.A.

(8) Capital Accounts shall be reduced by allocations of losses under Section 5.1.B.

(9) Capital Accounts shall be increased by allocations of profits under Section 5.1.B.

K. To the maximum extent permitted under the Code, allocations of profits and losses shall be modified so that the Partners' Capital Accounts reflect the amount they would have reflected if adjustments required by Sections 5.4.D, 5.4.F and 5.4.G had not occurred.

ARTICLE 6. -- General Partner Rights, Powers and Duties

Section 6.1 Restrictions on Authority.

Notwithstanding any other provisions of this Agreement, the General Partner shall have no authority (a) to perform any act in violation of (i) any applicable law or regulations, (ii) any agreement between the Partnership and the Lenders or (iii) the Property Documents, or (b) to do any act required to be approved or ratified by the Limited Partners under the Uniform Act. The General Partner shall not have any authority to do any of the following specific acts without the Consent of the Special Limited Partner:

A. following completion of construction of the Property, to construct any new capital improvements, or to replace any existing capital improvements, which construction or replacement would substantially alter the character or use of the Property, or

B. to acquire for the Partnership any real property in addition to the Property, other than fee title or easements to de minimis parcels of land for the purpose of correcting record title to the Property, or

C. except to the extent permitted under Section 6.13.B, if any, to be personally liable on, or to guarantee, or to permit any Related Person of a Partner of the Partnership to be personally liable on, to guarantee or otherwise bear the

Economic Risk of Loss with respect to, the Mortgages, or

D. except as otherwise provided in Section 6.13.C, to refinance, sell, convey or mortgage the Property or to materially amend or modify any Mortgage or Property Document, or

E. to permit the occupancy of dwelling units in the Property in violation of Minimum Set Aside or any other requirement which must be complied with to enable the Property to generate the Projected Credit, or

F. to lease (i) pursuant to one lease (or pursuant to a series of leases which are negotiated as part of one transaction) more than 50% of the Property as an entity or (ii) the Property in such a manner as to cause the Property or any part thereof to be treated as tax-exempt use property within the meaning of Section 168(h) of the Code, or

G. to borrow on the general credit of the Partnership, except as specifically permitted hereunder as to Operating Deficit Loans and pursuant to Section 6.13, or

H. to cause the Partnership to operate any business on the Property other than the business of renting dwelling units, or to rent any portion of the Property other than for occupancy as a dwelling unit, or

I. to cause the Partnership to take any action referred to in clause (ii) of the definition of "Event of Bankruptcy" in Article XI.

Section 6.2 Personal Services.

No Affiliate shall receive any compensation from the Partnership for services rendered to the Partnership in connection with the construction or operation of the Property or any other aspect of the business of the Partnership unless such compensation is provided for in Article VI or, if for services not compensated for pursuant to Article VI, such compensation is reasonable, does not exceed fees which would be payable on an arms-length basis to a non-Affiliate in the business of supplying such services, and complies with Lender regulations. Nothing herein shall prevent the General Partner from engaging other Persons to perform services for the General Partner in connection with the Partnership or the Property, providing such Persons are paid from funds of the General Partner. Any Partner may engage independently or with others in other business ventures of every nature and description including, without limitation, the ownership, operation, management, syndication and development of real estate, including real estate which may be in competition with the Property and neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom.

Section 6.3 Business Management and Control; Tax Matters Partner.

1. The General Partner shall have the exclusive right to manage

the business of the Partnership and, subject to all provisions of this Agreement including without limitation Articles III and VI, shall have full power, authority and discretion to cause the Partnership to do any of the acts described in Section 2.4 hereof. No Limited Partner (except one who may also be a General Partner, and then only in its capacity as General Partner) shall participate in or have control over the Partnership business, except as provided in Article VIII hereof or as required by law. The Partners hereby consent to the exercise by the General Partner of the powers conferred on it by this Agreement. No Limited Partner (except one who may also be a General Partner, and then only in its capacity as a General Partner) shall have any authority or right to act for or to bind the Partnership.

2. All Partners hereby agree that, as long as it shall be a General Partner, Burns & Burns, L.C. shall be the "Tax Matters Partner." The Tax Matters Partner shall employ experienced tax counsel to represent the Partnership in connection with any audit or investigation of the Partnership by the Internal Revenue Service, and in connection with all subsequent administrative and judicial proceedings arising out of such audit, and the fees of counsel shall be a Partnership expense. The Tax Matters Partner shall keep the Partners informed of all administrative and judicial proceedings, as required by Section 6223(g) of the Code, and shall furnish to each Partner a copy of each notice or other communication received by the Tax Matters Partner from the Internal Revenue Service. The Tax Matters Partner shall have no authority, without the Consent of the Special Limited Partner, to (i) enter into a settlement agreement with the Internal Revenue Service which purports to bind Partners other than the Tax Matters Partner, (ii) file a petition as contemplated in Section 6226(a) or 6228 of the Code, (iii) intervene in any action as contemplated in Section 6226(b) of the Code, (iv) file any request contemplated in Section 6227(b) of the Code, (v) enter into an agreement extending the period of limitations as contemplated in Section 6229(b)(1)(B) of the Code or (vi) to file any tax related litigation in a court other than the United States Tax Court. In the event that the General Partner designated as the Tax Matters Partner shall Retire from the Partnership, the Partnership shall designate a successor Tax Matters Partner in accordance with Treasury Regulation Section 301.6231(a)(7)-1(T) or any successor Regulation. The Partnership shall notify the Internal Revenue Service of the designation of a successor Tax Matters Partner for such year as well as all prior years that the Retired General Partner was serving as Tax Matters Partner.

Section 6.4 Authority of General Partner.

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1. Every contract, deed, mortgage, lease and other instrument executed by a General Partner shall be conclusive evidence in favor of every Person relying thereon or claiming thereunder that, at the time of the delivery thereof (except as shown in certificates or other instruments duly filed with the Filing Office), (a) the Partnership was in existence, (b) this Agreement had not been terminated or cancelled or amended in any manner so as to restrict such authority, and (c) such General Partner was duly authorized to execute such instrument. Except as otherwise

provided in a certificate or other instrument filed in the Filing Office with respect to the Partnership, any Person dealing with the Partnership or the General Partner may always rely on a certificate signed by the General Partner hereunder:

(1) as to who are the General Partner or Limited Partners hereunder,

(2) as to the existence or nonexistence of any fact or facts which constitute conditions precedent to acts by the General Partner or are in any other manner germane to the affairs of the Partnership,

(3) as to who is authorized to execute and deliver any instrument or document of the Partnership,

(4) as to the authenticity of any copy of this Agreement and amendments thereto, or

(5) as to any act or failure to act by the Partnership or as to any other matter whatsoever involving the Partnership or any Partner.

2. If there shall be more than one General Partner serving hereunder, each General Partner (with the Consent of the Special Limited Partner and subject to the provisions of Section 8.6) may from time to time, by an instrument in writing or by a provision in this Agreement, delegate his powers and authority hereunder to another General Partner or General Partners to the extent stated therein. Such writing shall fully authorize such other General Partner to act alone without the requirement of any act or signature of the delegating General Partner and to take any action of any type and to do anything and everything which a General Partner may be authorized to take or do hereunder, and the delegating General Partner thereafter shall have no right, power or authority to act for the Partnership with respect to the powers or authority so delegated. No such delegation shall relieve the delegating General Partner of any of its duties or obligations under this Agreement or otherwise with respect to the Partnership.

Section 6.5 Duties and Obligations.

1. The General Partner shall promptly take all material actions which may be necessary or appropriate for the completion of construction of the Property and the proper maintenance and operation of the Property in accordance with the provisions of this Agreement, the Property Documents, applicable laws and regulations, and in compliance with the representations and warranties in Section 6.6, and shall conduct the affairs of the Partnership in compliance with Mortgage requirements and in a manner consistent with the fiduciary obligations of the General Partner under law. The General Partner shall devote to the Partnership such time as may be necessary for the proper performance of its duties.

2. The General Partner shall (a) cause the Property to be insured against fire and other risks covered by such insurance in the maximum amount required by any Lender, and/or the Credit Agency, the Special Limited Partner or by good management practices, and in any event in an amount equal to the full replacement value of the Property (other than the land), (b) obtain and keep in force adequate business or rental interruption and worker's compensation insurance satisfactory to each Lender, and to the Credit Agency and the Special Limited Partner, (c) obtain and keep in force public liability insurance for the benefit of the Partnership and its Partners in amounts from time to time acceptable to the Credit Agency, and the Lenders and the Special Limited Partner and in any event providing coverage at least equivalent to a combined single limit bodily injury and property damage liability insurance policy in the amount of not less than $6,000,000 (of which up to $5,000,000 may be provided under an "umbrella" policy). All of the foregoing insurance policies shall be written by insurance companies rated A or better by Best's, include the Investor and Special Limited Partners as named insureds, and include a provision requiring the insurance company to notify the Special Limited Partner in writing 30 days prior to the cancellation of any such policy. The General Partner shall promptly provide the Special Limited Partner with copies of such insurance policies upon request from time to time. In the event of any casualty and provided that the insurance proceeds shall be made available therefor and such restoration is permitted by the Lenders and receives the Consent of the Special Limited Partner, the General Partner shall repair any damage to the Property which was caused by such event, so as to restore the Property (as nearly as possible) to the condition and market value thereof immediately prior to such occurrence. The General Partner shall be compensated for its efforts to restore the Property in an amount equal to five percent (5%) of the total restoration cost; provided however, that such payment shall be not be made from Partnership funds, but shall be made only from insurance proceeds after all other costs of restoration have been paid.

3. The General Partner shall obtain an owner's title policy insuring title to the Property in favor of the Partnership in an amount sufficient to cover the outstanding amount of all Mortgages plus the Capital Contributions of all Partners (which amount is hereby agreed to be $1,533,878), which policy shall include so-called "non-imputation" and "fairways" endorsements and be subject to no exceptions other than those referred to in Section 6.6.I.

4. The General Partner shall take such actions as are necessary to make the Partnership eligible for the full amount of the available Low Income Housing Credit (including without limitation the renting of dwelling units at rents and to tenants as required under Section 42 of the Code). The General Partner shall operate the Property such that the right of each tenant to occupancy of a dwelling unit shall be pursuant to an agreement and for a charge which shall be separate from the agreements and charges for the right of such tenant to receive any services or any other benefits, and no tenant shall be required to receive or pay for any of such other benefits as a condition of occupancy.

5. The General Partner shall elect to commence the Credit Period for the Property as of January 1, 2001.

6. The General Partner shall (i) not store (except in compliance with applicable Hazardous Waste Laws) or dispose of any Hazardous Material at the Property, or at or on any other Facility or Vessel owned, occupied, or operated by any General Partner; (ii) not transport or arrange for the transport of any Hazardous Material (except in compliance with applicable Hazardous Waste Laws); (iii) provide the Special Limited Partner with written notice (x) upon any General Partner's obtaining knowledge of any potential or known release, or threat of release, of any Hazardous Material at or from the Property or any other Facility or Vessel owned, occupied, or operated by any General Partner or any Person for whose conduct any General Partner is or was responsible or whose liability may result in a lien on the Property; (y) upon any General Partner's receipt of any notice to such effect from any Federal, state, or other governmental authority; and (z) upon any General Partner's obtaining knowledge of any incurrence of any expense or loss by any such governmental authority in connection with the assessment, containment, or removal of any Hazardous Material for which expense or loss any General Partner may be liable or for which expense or loss a lien may be imposed on the Property; and (iv) indemnify and hold harmless the Partnership and the other Partners against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by any of said indemnitees (including reasonable attorneys' fees, fines, damages and similar payments) in connection with the violation by the General Partner of any of the foregoing covenants or with the presence of any Hazardous Material at the Property.

7. If requested to do so by the Special Limited Partner at any time after the expiration of the fourteenth year of the compliance period (as defined in Section 42(i)(1) of the Code) or any later date to which the Partnership may have agreed with the Credit Agency to defer its opportunity to make such submission, the General Partner shall submit a written request to the Credit Agency to find a Person to acquire the Partnership's interest in the Property and/or take such other action permitted or required by the Code as the Special Limited Partner may reasonably request to effect a sale of the Property or to terminate the extended use commitment of Section 42(h)(6)(B) of the Code; provided that the proceeds to be received by the Partnership with respect to any proposed sale or refinancing must be sufficient to pay all outstanding amounts pursuant to Clauses First through Fifth of Section 5.2.B.

8. Each obligation of the General Partner hereunder shall be the joint and several obligation of each General Partner, if there is more than one. In the event of a default by the General Partner in the performance of any of its obligations under this Agreement, then the amount in default shall be offset against all payments from the Partnership to the General Partner, including repayments of loans, returns of Capital Contributions and payments of fees. Nothing in Sections 6.7 or 6.8 shall have the effect of relieving the General Partner of any liability for any of its obligations set forth in this Agreement.

9. The General Partner shall maintain a net worth in an amount equal to at least the larger of (i) $600,000, and (ii) the applicable estate and gift tax exclusion amount for any given year set forth under Section 2010(c) of the Internal Revenue Code; provided, however, that in no event shall the General Partner be required to maintain a net worth in excess of $1,000,000. The General Partner shall submit annual financial statements to the Special Limited Partner within ninety (90) days of the end of each calendar year.

Section 6.6 Representations and Warranties.

The General Partner hereby represents and warrants to each Limited Partner that as a condition to the payment of each Installment as provided in Section 4.1.B, the following are true and will be true on the due date for payment to the Partnership of each of such Installments, and that it will use its best efforts to maintain the truth of such representations and warranties which are then applicable to the Partnership at all other times (except as otherwise provided):

A The Partnership is a duly organized limited partnership validly existing under the laws of the State and has complied with all filing requirements necessary for the protection of the Limited Partners and to maintain the limited liability of the Limited Partners in the manner provided in Section 3.5.

B. Construction of the Property will be or has been completed in substantial conformity with the Property Documents.

C. All Development Costs will be paid or provided for by, or for the account of, the Partnership utilizing only those sources of funds referred to in Section 6.9.

D. To the best of the knowledge and belief of the General Partner, no event, occurrence or proceeding is pending or threatened which would (a) materially adversely affect the Partnership or its properties, (b) materially adversely affect the ability of the General Partner or any Affiliate to perform their respective obligations hereunder or under any other agreement with respect to the Partnership or the Property, or (c) prevent the completion of construction of the Property in substantial conformity with the Property Documents. This subparagraph shall be deemed to include, but not be limited to, the following: (x) legal actions or proceedings before any court, commission, administrative body or other governmental authority having jurisdiction over the zoning applicable to the Property, (y) labor disputes and (z) acts of any governmental authority.

E. No material default (or event which, with the giving of notice or the passage of time or both, would constitute a material default) has occurred and is continuing on the part of the General Partner under this Agreement or on the part of the General Partner or the Partnership under any of the Property

Documents or any other agreement affecting the Property, the same are in full force and effect, and no default by the Partnership, the General Partner or any Affiliate under any of the Property Documents has been asserted by any party thereto.

F. The Property is being operated in compliance with the requirements of this Agreement and the Property Documents, including without limitation the requirements of Section 6.5.C hereof.

G. Except to the extent permitted under Section 6.13.B, if any, no Partner or Related Person of a Partner of the Partnership has any personal liability or otherwise bears the Economic Risk of Loss with respect to the payment of principal or interest with respect to the debt evidenced by any of the Mortgages.

H. There is no material violation by the Partnership or the General Partner of any zoning, environmental or similar regulation applicable to the Property; all necessary building and other applicable permits have been obtained to permit the construction of the Property; all permits necessary to operate the Property for its intended use have been obtained; and the Partnership has substantially complied with all applicable municipal and other laws, ordinances and regulations relating to such construction and use of the Property.

I. The Partnership owns the fee simple interest in the Property, subject to no material liens, charges or encumbrances other than the Permitted Loans and those which (a) are permitted by the Property Documents and (b) do not materially interfere with the use of the Property or any part thereof for its intended purpose or have a material adverse effect on the value of the Property.

J. The execution and delivery of all instruments and the performance of all acts heretofore or hereafter made or taken or to be made or taken pertaining to the Partnership or the Property by each General Partner and each Affiliate of a General Partner which is a partnership, a limited liability company or a corporation have been or will be duly authorized by all necessary action by such Entity and the consummation of any such transactions with or on behalf of the Partnership will not constitute a breach or violation of, or a default under, the partnership agreement, operating agreement, charter, by-laws or comparable organizational documents of said Entity or any agreement by which such Entity or any of its properties is bound, nor constitute a violation of any law, administrative regulation or court decree.

K. No Event of Bankruptcy has occurred with respect to any General Partner or any Affiliate of a General Partner.

L. None of those Persons named in Section 3.1 hereof as General Partner have Retired other than as permitted in Section 8.1.

M. No Lender approval is required (or, if required,

such approval has been obtained) with respect to the execution or delivery of this Agreement or the admission to the Partnership of the Limited Partners.

N. No Person or Entity holds any equity interest in the Property other than the Partnership.

O. The Partnership has the sole responsibility to pay all maintenance and operating costs, including all taxes levied and all insurance costs, attributable to the Property.

P. The Partnership, except to the extent it is protected by insurance and excluding any risk borne by Lenders, bears the sole risk of loss if the Property is destroyed or condemned or there is a diminution in the value of the Property.

Q. Except as otherwise provided in this Agreement, no Person or Entity except the Partnership has the right to any proceeds, after payment of all indebtedness, from the sale, refinancing or leasing of the Property.

R. The Property does not receive assistance under the HUD Section 8 Moderate Rehabilitation Program other than under the Stewart B. McKinney Homeless Assistance Act of 1988.

Section 6.7 Liability.

The General Partner shall indemnify and hold harmless the Partnership and the other Partners against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by any of said indemnitees (including reasonable attorneys' fees, fines, damages and similar payments) in connection with the Partnership, provided, however, that no General Partner or Affiliate shall be liable, responsible or accountable for damages or otherwise to the Partnership or any Partner for any act performed under this Agreement or for any failure to act, on its own part or that of any of its Affiliates, if such course of conduct did not constitute misconduct, negligence, material misrepresentation or material breach of covenant, warranty or fiduciary duty to the Limited Partners and such General Partner or Affiliate reasonably believed in good faith that such course of conduct was in the best interest of the Partnership and the Partners.

Section 6.8 Indemnification.

The General Partner and its Affiliates shall be indemnified and held harmless by the Partnership against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them (including reasonable attorneys fees, fines, damages and similar payments) in connection with the Partnership, provided that the same were not the result of a course of conduct constituting misconduct, negligence, material misrepresentation or material breach of covenant, warranty or fiduciary duty, and that such General Partner or Affiliate reasonably believed in good faith that such course of conduct was in the best interest of the Partnership and the Partners

Notwithstanding the above, a General Partner, its Affiliates and any person acting as a broker-dealer in connection with the offering and sale of interests in the Partnership shall not be indemnified by the Partnership for any losses, liabilities or expenses arising from or out of an alleged violation of Federal or state securities laws unless (1) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee; or (2) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee; or (3) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee.

In any claim for indemnification for Federal or state securities law violations, the party seeking indemnification shall place before the court the position of the Securities and Exchange Commission with respect to the issue of indemnification for securities law violations.

The Partnership shall not incur the cost of the portion of any insurance, other than public liability insurance, which insures any party against any liability the indemnification of which is herein prohibited.

Any indemnity under this Section 6.8 shall be provided out of and to the extent of Partnership assets only, and no Limited Partner shall have any personal liability on account thereof.

Section 6.9 Development Completion Obligation.

1. The General Partner guarantees to the Partnership and the other Partners to cause the Property to be acquired and to complete development of the Property for a fixed turnkey price of $1,533,878 (the "Guaranteed Development Cost"), which obligation (the "Development Completion Obligation") shall include without limitation (i) acquisition of fee simple title to the Property subject only to those liens, restrictions and encumbrances referred to in Section 6.6.I, (ii) completion of construction of the Property substantially in accordance with the Property Documents and remedy of any defects in the construction of the Property or variances in construction from the Plans and Specifications which in each case are or should have been discovered within two years after Full Completion, (iii) achievement of Stabilized Occupancy and payment of all Operating Expenses and Debt Service in excess of Operating Revenues attributable to the period through the achievement of Stabilized Occupancy, (iv) payment of all costs and funding of all reserves and escrows necessary to close the Permanent Mortgage and to fund the Rent Up Reserves, and (v) payment in full of the Development Services Fee (collectively "Development Costs").

2. All funds (collectively "Development Funds") constituting the proceeds of Permitted Loans and the Capital Contributions paid by or on behalf of the Investor Limited Partner shall be applied to pay when due all payments and expenses required to carry out the Development Completion Obligation. If Development Costs due at any time exceed available Development Funds, then such excess Development Costs shall be paid from funds which the General Partner shall be required to furnish promptly to meet such Development Costs, and such funds shall be returned to the General Partner from any Development Funds which thereafter become available. If Development Funds are not sufficient to return all funds to the General Partner, then the shortfall shall be treated as follows: (a) To the extent that total Development Costs exceed the Guaranteed Development Cost, such excess shall be borne and absorbed solely by the General Partner as part of its Development Completion Obligation; and (b) to the extent that Development Funds are less than the Guaranteed Development Cost, then the shortfall shall constitute a Capital Contribution to the Partnership by the General Partner.

Section 6.10 Operating Expense Obligation.

If the Partnership requires any funds for Operating Expenses (reduced by any deferral of payment of the Management Fee required pursuant to Section 6.12.C) or Debt Service in excess of the sum of (a) Operating Revenues plus (b) funds available in the Rent Up Reserve to meet Operating Expenses and Debt Service then payable, then such excess expenses ("Operating Deficits") shall be paid from advances ("Operating Deficit Loans") which the General Partner shall be required to make to the Partnership, provided that Operating Deficit Loans need be made only to pay Operating Deficits attributable to the period commencing on the occurrence of Stabilized Occupancy and ending on the fourth anniversary of such occurrence. Operating Deficit Loans shall not bear interest and shall be repayable only to the extent provided in Article V.

Section 6.11 Development Services.

The Partnership shall engage the General Partner to perform, or to engage and supervise others to perform, all activities necessary to complete construction of the Property in accordance with the Plans and Specifications, and shall pay the Development Services Fee of 15% of Total Project Costs (as such term is defined in the Development Agreement), up to a maximum of $196,635, to the General Partner in return for such services. The Development Services Fee shall be earned as development of the Property progresses and shall be fully earned no later than Full Completion.

Section 6.12 Property Management.

1. The General Partner shall have overall responsibility for managing the Property and obtaining a Management Agent. The General Partner shall cause the Partnership, prior to commencement of operation of the Property, to enter into a Management Agreement with NMC/RPB Management Company, L.C., of West Des Moines, Iowa to serve as the Management Agent. If at any time after Full Completion:

(1) the Property shall be subject to a substantial building code violation which shall not have been

cured within 90 days after notice from the applicable governmental agency or department or the Special Limited Partner or unless such violation(s) is (are) being validly contested by the General Partner by proceedings which operate to prevent any fines or criminal penalties from being levied against the Partnership,

(2) Operating Revenues in respect of any period of six consecutive calendar months commencing after July 1, 2001 shall be insufficient to permit the Partnership to pay when due on a current basis all Operating Expenses and Debt Service due and owing in respect of such six month period, or

(3) the Management Agent or its agents or employees have demonstrated incompetence or malfeasance (a "breach") in the management of the Property, and such breach has not been cured within 30 days after notice thereof has been given to the Management Agent, the General Partner shall forthwith give notice of such event to the Limited Partners and thereafter the General Partner shall forthwith cause the Partnership to terminate the Management Agreement with the Management Agent, unless the Consent of the Special Limited Partner is obtained to the retention of the Management Agent as the manager of the Property. If the Management Agreement is terminated as aforesaid or for any other reason, the General Partner shall immediately proceed to select a new Management Agent for the Property which selection shall be subject to the Consent of the Special Limited Partner.

2. The Partnership shall not enter into any Management Agreement which does not provide for deferral of the Management Fee under the circumstances set forth in Section 6.12.C and termination by the Partnership (a) under the circumstances set forth in Section 6.12.A, (b) in the event of other malfeasance or nonperformance on the part of the Management Agent, or (c) upon the Retirement from the Partnership in violation of Section 8.1 of any General Partner as to whom the Management Agent is an Affiliate. The General Partner shall have the duty to manage the Property during any period when there is no Management Agent, and shall be entitled to the Management Fee with respect to any period during which it so manages, and must comply with the provisions of this Agreement which would be applicable to the Management Agent.

3. The Management Agent shall receive from the Partnership the Management Fee provided for in the Management Agreement from time to time in accordance with a reasonable and competitive fee arrangement, provided that the Management Fee payable to any Management Agent shall not exceed the maximum Management Fee permitted by USDA-Rural Development for the Property. (Such amount is currently $41.00 per occupied unit per month.) Furthermore, any Management Agent which is an Affiliate of a General Partner shall be obligated to defer payment of its Management Fee to the extent necessary for any year so that the Partnership will not incur an Operating Deficit for such year, and the deferred amount shall then be payable in any future year in which such payment, together with payment of all other Operating Expenses and Debt Service for such future year, will

not result in an Operating Deficit for such future year.

4. The Partnership shall pay to the General Partner for its services in supervising and monitoring the performance of the Management Agent pursuant to the Management Agreement an annual Incentive Management Fee (which Fee shall be treated as a Partnership expense). The Incentive Management Fee for each fiscal year shall be the amount available for payment thereof from Cash Flow pursuant to Section 5.2.A(2)(a) up to a maximum which will not cause the total of the Management Fee plus the Incentive Management Fee for such year to exceed 10% of Operating Revenue for such year.

5. Intentionally Omitted.

6. Intentionally Omitted.

Section 6.13 Borrowings.

1. All Partnership borrowings shall be subject to the terms of this Agreement, including the restrictions set forth in Section 6.1. To the extent borrowings are permitted, such borrowings may be made from any source, including Partners and Affiliates, except as otherwise provided in this Agreement. If any Partner or Affiliate shall lend any monies to the Partnership, the amount of any such loan shall not be an increase of his Capital Contribution nor affect in any way his share of the profits, losses or distributions of the Partnership, and, if such loan is an Operating Deficit Loan, shall be unsecured. Any loans which are made, other than Operating Deficit Loans, shall bear interest and be on such other terms no less favorable to the Partnership than comparable loans from non-Affiliates.

2. Subject to the provisions of this Agreement, the Partnership may borrow pursuant to the Permitted Loans such amounts as may be required for the acquisition, development, and construction of the Property and to meet the expenses of operating the Property. Any other borrowings (excluding (a) normal trade payables outstanding in the ordinary course of business and (b) borrowings to meet Partnership expenditures to remedy emergency circumstances) which are not contemplated by this Agreement and which are in excess of $1,000 must receive the Consent of the Special Limited Partner. All Mortgages shall provide that no Partner or Related Person of a Partner of the Partnership shall bear the Economic Risk of Loss with respect to all or any part of principal or interest due with respect to the debt evidenced by such Mortgage. The General Partner is specifically authorized, except as otherwise limited in this Agreement, to execute such documents as it deems necessary in connection with the acquisition, development and financing of the Property, including without limiting the generality hereof, the Mortgages and other documents required by the Lenders in connection with the Mortgages or the Project documents.

3. Each General Partner shall be bound by the terms of the Property Documents and any other documents required in connection therewith, but in no event shall any Partner or Related Person be personally liable for the debt evidenced by any Mortgage except

to the extent permitted under Section 6.13.A, if any. Any incoming General Partner shall as a condition of receiving any interest in the Partnership property agree to be bound by the Property Documents and any other documents required by the Lenders in connection therewith to the same extent and on the same terms as the other General Partner(s).

4. The General Partner may amend, modify or refinance a Mortgage (including any required transfer or conveyance of Partnership assets for security or mortgage purposes), and sell, lease, exchange or otherwise transfer or convey all or any substantial portion of the assets of the Partnership; provided, however, that the terms of any refinancing or material amendment or modification of a Mortgage or any such sale, exchange or other transfer or conveyance must receive the Consent of the Special Limited Partner before such transaction shall be binding on the Partnership.

Section 6.14 Reserves.

1. The General Partner shall cause the Partnership to establish the Rent-Up Reserve in the amount of $26,338, which shall be funded from Capital Contributions and/or Mortgage proceeds prior to Full Completion. Rent-Up Reserve funds shall be maintained in an account under the joint control of the General Partner and the Special Limited Partner and shall be prudently invested at the direction of the General Partner. All earnings shall remain in the Rent-Up Reserve and be available for the purpose thereof. Withdrawals from the Rent-Up Reserve shall be made to fund Operating Deficits occurring prior to achievement of Stabilized Occupancy. Any remaining balance of the Rent-Up Reserve after the occurrence of Stabilized Occupancy and the authorized return of initial operating reserve account funds by USDA-Rural Development shall be distributed 50% to the General Partner as an incentive management fee, and 50% to the Investor Limited Partner as a return of its Outstanding Capital.

2. The General Partner shall cause the Partnership to establish the Replacement Reserve which shall be funded each year from Operating Revenue at the rate of $13,169 per year, up to a maximum total replacement reserve of $131,690. Replacement Reserve Funds shall be maintained in an account under the control of the General Partner, with the consent of the Special Limited Partner, and shall be prudently invested at the direction of the General Partner. All earnings shall remain in the Replacement Reserve and be available for the purpose thereof. Withdrawals from the Replacement Reserve shall be made to fund capital repairs and replacements for the Property, subject to the approval of USDA-Rural Development.

ARTICLE 7. -- Books and Records, Accounting and Reports

Section 7.1 Books and Records.

The General Partner shall keep or cause to be kept complete and accurate books and records of the Partnership which shall be maintained in accordance with sound accounting practices and the

Uniform Act and shall be maintained and be available at the principal office of the Partnership for examination by any Partner, or his duly authorized representatives, at any and all reasonable times. The Partnership may maintain such books and records and may provide such financial or other statements as the General Partner deems advisable.

A list of the names and addresses of all Partners shall be maintained at the principal office of the Partnership and shall be available at any and all reasonable times to any Partner or his designated representative. Representatives of any Limited Partner shall be permitted to visit and inspect the Property and all books and records maintained at the Property from time to time upon reasonable advance notice to the General Partner.

Section 7.2 Bank Accounts.

The bank accounts of the Partnership shall be maintained in such banking institutions as the General Partner shall determine with Consent of the Special Limited Partner, and withdrawals shall be made only in the regular course of business on such signature or signatures, subject to the requirements of Section 8.6, as the General Partner shall determine. All deposits and other funds not needed in the operation of the business shall be deposited in interest-bearing accounts or invested in short-term United States Government or municipal obligations maturing within one year.

Section 7.3 Accountants.

The Accountants for the Partnership shall be McGladrey & Pullen, of Des Moines, Iowa, or such other certified public accountants as shall be engaged by the General Partner with the Consent of the Special Limited Partner.

Section 7.4 Reports, Financial Statements, Tax Returns.

1. The General Partner shall cause the Partnership to prepare financial statements for each fiscal year of the Partnership, which shall include a balance sheet as of the end of each such year and statements of income, partners' equity and cash flows for such year. Such financial statements shall include a note setting forth a schedule of all loans to the Partnership, the Section of this Agreement under which such debt was incurred and the purpose for which such loan was applied by the Partnership. Such schedule shall demonstrate that loans have been made, used, carried on the books of the Partnership (and repaid, if applicable) in accordance with the provisions of this Agreement. In addition, the financial statements of the Partnership for the fiscal year in which Full Completion occurs shall include a depreciation schedule for that year and all future years, along with the depreciation worksheet. The books of the Partnership shall be compiled by the Accountants as of the end of each fiscal year in accordance with generally accepted auditing standards and the guidelines set forth by the United States Department of Agriculture-Rural Development (USDA-RD) for a USDA-RD

compilation. The General Partner shall, promptly upon receipt of such balance sheet, statements and opinion and in any event within 45 days after the end of each fiscal year, transmit to the Limited Partners a copy thereof.

2. Together with the statements to be delivered pursuant to Section 7.4.A, each General Partner shall send to the Special Limited Partner comparable financial statements (including a balance sheet and statement of income) for such General Partner relating to the same period. In addition, the General Partner shall prepare and furnish to the Special Limited Partner the other financial and operating reports set forth in the Reporting Guidelines attached hereto as Exhibit 3. Such reports shall be in the forms attached to Exhibit 3, as such forms may be amended from time to time by the Special Limited Partner.

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3. The Accountants shall prepare the Federal and state income tax returns of the Partnership. The General Partner shall complete the books of the Partnership in such time as will allow the Accountants to complete such tax returns within 45 days after the end of such fiscal year. The General Partner shall cause such tax returns to be filed within such time periods and shall immediately upon the filing thereof transmit to the Limited Partners a copy of the Federal and state income tax returns and Form K-1. If the General Partner fails to complete such tax returns and to transmit such returns and Form K-1 to the Limited Partners within such time periods, or shall fail to transmit the annual balance sheet, financial statements and opinion to the Limited Partners within the time period set forth above, the General Partner shall, upon the request of the Special Limited Partner and assuming that no Limited Partner has caused such delay, pay as damages the sum of $250 per day to the Investor Limited Partner until such Form K-1, balance sheet and financial statements and information required pursuant to Section 7.4.D are received by the Limited Partners. Such damages shall be paid forthwith by the General Partner and failure to so pay shall constitute a default of the General Partner under Section 8.6 hereof. In addition, if the General Partner fails to so pay, the General Partner and its Affiliates